



U.S. Department of State FY 2001 Country Commercial Guide: Panama

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I. EXECUTIVE SUMMARY

“This Country Commercial Guide (CCG) presents a comprehensive look at Panama’s commercial environment, using economic, political and market analysis. The CCGs were established by recommendation of the trade promotion coordinating committee (TPCC), a multi-agency task force, to consolidate various reporting documents prepared for the U.S. business community. Country Commercial Guides are prepared annually at U.S. Embassies through the combined efforts of several U.S. Government Agencies”

COMMERCIAL OVERVIEW

Taking advantage of Panama's key location, the Government and business communities have long promoted it as an international trading, banking, and services center. Trade liberalization and privatizations over the last several years have added substance to these assertions. Panama's dollar-based economy offers low inflation and zero foreign exchange risk for American companies. Panama's Government actively seeks foreign investment and there are real

opportunities available in the former Canal Zone properties which were transferred to Panamanian jurisdiction in December 1999.

Due to the evolution and composition of Panama's economy, which is largely based on services, the extent and nature of local competition is very limited in most of the non-service sectors. Although the United States is Panama's most important trading partner with about 35% of the import market, and U.S. products have a high degree of acceptance in Panama, competition from third countries is strong in certain sectors including: telecommunications equipment, automobiles, heavy construction equipment, consumer electronics, computers, apparel, gifts, and novelty products.

Panama's merchandise imports grew in 1999 by one percent over 1998 to a total of \$3.52 billion. The value of Panama's total merchandise exports in 1999 reached \$707 million, about the same as the previous year.

The Colon Free Zone is a bigger market than the country of Panama. Free Zone imports amounted to \$4 billion in 1999. This figure is down 21% from the previous year, reflecting the political and economic problems of the Zone's main customers in the Andean Region. Zone imports are mostly luxury goods, electronic products, clothing, and other consumer products. Because of this product mix, U.S. market share is lower in the Zone than in Panama. Hong Kong is the Free Zone's biggest supplier, while Colombia and Ecuador are the major final destinations for Zone reexports.

Panama's economy is based primarily on a well-developed services sector that accounts for about 80 percent of GDP. Services include the Panama Canal, banking, the Colon Free Zone, insurance, container ports, and flagship registry. Manufacturing, mining, utilities, and construction together account for 12 percent of GDP.

Manufacturing is principally geared to production of items such as processed foods, clothing, chemical products, and construction materials for the domestic market. The manufacturing sector developed under a sixties style import substitution high tariff regime. Panama reduced duties on manufactured items from up to 100% to a maximum of 15% in 1998. Panamanian manufacturers may now have difficulty in maintaining their market share vis-a-vis imports in many sectors.

Agriculture, forestry and fisheries make up about 7 percent of GDP. Many agricultural imports are subject to high duties and non-tariff barriers also exist for certain agricultural products.

BUSINESS TRENDS AND OPPORTUNITIES

Consumer attitudes and some brand preferences are similar to the U.S. American television, radio programs and U.S. magazines are all available and popular in Panama. Panamanians frequently travel to the U.S. for vacation, medical treatment, study, and business. Their buying patterns and tastes are similar to ours.

U.S. products and services are well accepted and highly competitive in most product sectors. Panama has the highest per capita GDP in the region. Income distribution is skewed to the benefit of a relatively small, consumer goods-oriented, economically powerful class. These families have high levels of disposable income. They buy good quality trend-setting goods and price is not the major determinant in their purchasing decisions. The majority of the population has much less disposable income and price and availability of credit loom large when they decide what to buy.

Sharply lower import duties have made U.S. products more competitive with locally manufactured items in recent years. The U.S. share of market in Panama was 35% in 1999 down from 40% the preceding year. The U.S. also had 10% of the larger Free Zone market in 1999.

Panama has potential for substantial growth in the areas of electric power generation, health care services, mining exploration and operations, port services, land development, road construction, telecommunications, and tourism.

TRADE AND INVESTMENT CLIMATE

Panama has no restrictions on the outflow of capital or outward direct investment. Its accession to the World Trade Organization in mid-1997 opened up trade and lowered tariffs across the board, giving Panama the lowest average tariff rate in Latin America. The Moscoso government reversed some of these reductions by raising some agricultural goods' tariffs dramatically in late 1999 and early 2000. While the new tariff levels remained within WTO accession levels, Panama also began to further obstruct agriculture imports via a slow and arbitrary procedure for issuing phytosanitary permits.

Panama's inflexible labor laws are a source of concern for prospective investors. Firing practices are excessively regulated which reduces labor mobility and inhibits hiring. The minimum wage was recently increased to \$253 monthly (in the capital). This is cheap in world terms but expensive in a Central American context.

Although there has been substantial new foreign investment in recent years, most of it resulting from privatization, instances of questionable government practices have soured some large international firms on doing business in Panama. These include past bidding procedures, contract obligations, project security, and the slow and imperfect judicial system.

The combination of relatively high costs for both utilities and labor makes unit production costs higher than average for the region. Some investors complain of burdensome and excessive product registration requirements. Lack of consistent access to imported agricultural inputs due to arbitrary import procedures has also led to foreign investor complaints.

The most interesting sector for new foreign investment is in the former Canal Zone and associated military bases. Panama received a total of 364,000 acres of such territories at the end of 1999 including two large military bases, one of which was a major air base that could be used as an air cargo hub or an aircraft maintenance and repair facility. The Government is actively

looking for investment in the fields of tourism, marine services, and in-bond assembly and manufacturing.

The privatization program in Panama has largely been concluded. It started with the sale of a state cement company and a state-owned fruit company. The Government awarded concessions for a private toll road in 1994, cellular phone service, another private toll road in early 1996, and two ports in mid-1996. Intel, the Panamanian telephone company, was partially (49%) sold in mid-1997 and is now being managed by the British firm Cable and Wireless. The previously government-owned casinos and race track were privatized in 1998. The power parastatal was restructured and converted into 8 companies, which were partially sold to the private sector, in August 1998. Four American companies participated including Enron, Coastal, AES and Constellation. Two sugar mills were privatized in 1998 to local groups with some Colombian participation. Pending announced privatizations include a large convention center and the international airport. Water privatization was halted in 1998 after violent protests and appears unlikely to proceed under the current government.

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II. ECONOMIC TRENDS AND OUTLOOK

MAJOR TRENDS AND OUTLOOK

The economy under the new government of President Mireya Moscoso appears to be in a "wait and see" mode. Unlike her predecessor, Ernesto Perez Balladares, who pushed through ambitious economic reforms, the Moscoso administration has been tentative on economic issues. Foreign direct investment has been dampened because of the government's inexperience, and other factors such as regional economic instability and the US troop pullout. Slower growth and continued economic sluggishness, despite government projections to the contrary, appear on Panama's short-term horizon.

According to Panama’s Comptroller General office, Panama’s economy grew 3.2% in real terms in 1999, falling from 4.1% growth in 1998. This marks two straight years of diminishing growth. Moreover, population growth continues on par with general economic growth, and thus, real per capita GDP increased by only 1.6% in 1999. The Ministry of Economy and Finance originally predicted 2000 growth would be 4.0% or more, but private sector economists predicted in mid-2000 that growth would fall below 2%.

Unemployment improved in early 2000, falling to 11.6%, down from 13.4% and 13.6% for the two previous years. These figures are slightly misleading, however, as Panama's underemployment (those who could work more but can't find full employment or those who have stopped looking for a job) remains at approximately 25-30% of the population.

Although Panama’s 1999 nominal per capita GDP is among the highest in the region at \$3420,

this figure is unreliable as an indicator of prosperity overall, because of Panama's highly skewed income distribution. According to a 1998 Government study, the richest 20% of the population consumed 15 times more than the poorest 20%. Panama's GINI coefficient, which measures income inequality, is 47.0, one of the highest in Latin America.

The Survey of Living Standards, produced by the World Bank and the Government of Panama, estimated 37.3% of all Panamanians live in poverty, including over 50% for children under age 10 and 95% of the indigenous population.

Panama's accession to the World Trade Organization in mid-1997 opened up trade and lowered tariffs across the board, giving Panama the lowest average tariff rate in Latin America. The Moscoso government reversed some of these reductions by raising some agricultural goods' tariffs dramatically in late 1999 and early 2000. While the new tariff levels remained within WTO accession levels, Panama began to further obstruct agriculture imports via a slow and arbitrary procedure for issuing phytosanitary permits.

The government faces several economic hurdles in the coming year. These include addressing excessive government debt and instituting meaningful tax and spending reforms. In comparison, the government sought to use its \$1.3 billion Fiduciary Fund (money from privatizations and sale of property returned by departing U.S. forces) to increase social spending and reduce debt somewhat. The ensuing political debate exposed serious rifts in the governing coalition. While, in the end, a reasonable proposal was approved, the process underlined how difficult it will be for the GOP to push through future actions on tax collection and reform.

Another challenge is finding profitable uses for the balance of the 364,000 acres of land and roughly 4,800 buildings that were reverted to Panama by the U.S. The ARI (Interoceanic Regional Authority), the agency responsible for the development and promotion of these areas, was beset by political infighting, overly grandiose plans, and poor management. As a result, it has had, at best, a mixed record. Except for a successful housing venture in the former Albrook airforce base and a free trade zone in the former Fort Davis, most of the areas remain unused.

Instances of questionable government practices have soured some large international firms on doing business in Panama. These include past bidding procedures, contract obligations, project security, and the slow and imperfect judicial system.

Despite these short-term challenges, Panama's economy is better able than most of its neighbors to weather temporary downturns. The strong services sector can expect to post solid growth in 2000, especially if the Colon Free Trade Zone can continue its recovery from a difficult 1999.

STRUCTURE OF ECONOMY/PRINCIPAL GROWTH SECTORS

Panama's economy is based primarily on a well-developed services sector that accounts for approximately 80% of GDP. Services include the Panama Canal, container port activities, flagship registry, banking, insurance, government, and the Colon Free Trade Zone. Manufacturing and construction together account for only 12% of GDP. Manufacturing is

principally geared to production of processed foods, clothing, chemicals, and construction materials for the domestic market. Mining accounts for an additional 29%. Agriculture, forestry, and fisheries make up the remaining 7% of GDP (yet provide employment for nearly 25% of the population). Principal primary products include bananas, shrimp, sugar, coffee, meat, dairy products, tropical fruits, rice, corn, and beans. The sectors of the Panamanian economy with the greatest potential for growth in the medium term are ports, maritime services, mining, telecommunications, tourism, and energy.

The Primary Sector

The agriculture and related sectors saw mixed results in 1999. During 1999 shrimp farms suffered an attack by the “White Spot Virus”, a disease that caused losses of up to 90% of populations in many farms. The enormous impact of the shrimp devastation led to a decrease in exports of 49%, to \$69 million. Sea-harvest shrimp production fell slightly in 1998. Although Panama signed the International Dolphin Conservation Program Agreement in May 1998, paving the way for tuna exports, Panama still lacks an effective export tuna industry.

Sugar production decreased 13.1% in 1999, earning \$25.5 million. Lower prices in international markets forced local industry to depend primarily on the American Sugar Trade Regime Quota, exports thus fell 43%. Privatization of two government owned mills increased competition for the domestic market. Beef production fell by 3.5%. Chicken and chicken byproduct output rose 1.3% in 1999, as Panama's local market continued to be one of the heaviest per capita consumers in Latin America

Banana production, Panama's largest export crop, recovered from the devastating strike against Chiquita's Puerto Armuelles division, increasing by 31% for a total of \$182 million.

Panama continues to suffer from the Banana Framework Agreement that restricts entry of Latin American bananas into Europe, a market on which Panama relies heavily. The U.S. and its Latin American partners continue to press the E.U. to implement a WTO-compatible banana import regime.

Exports of non-traditional products: Melon production fell 34% due to an unusually heavy rainy season. An oversupply from international suppliers also forced prices down. Total exports were \$14 million. Coffee exports also suffered from excess humidity, falling 7% to \$19 million, which combined with lower international prices caused a 23% decrease in the dollar value of exports.

Production in the mining sector remained at approximately \$25 million, as low world market prices discouraged exploration for gold, silver, copper, and manganese, all of which are present in Panama. Two world-class copper mines and one gold mine are poised to begin extraction operations when prices recover. Mining investment in Panama is encouraged by a favorable mining law, drafted in 1988, which provides incentives to investors.

Mining sector growth has been limited in the past by excessive bureaucracy in authorizing exploration, opposition by indigenous groups, and slow implementation of a mining master plan.

Manufacturing and Construction

Industrial activity decreased 4.6% in 1999, possibly from the effects of reduced tariff protection implemented by the Perez Balladares administration. Panama has relatively high labor and electricity costs, exacerbating its competitive challenges.

Construction activity rose 12.0% in 1999, due primarily to large infrastructure projects in both the private and public sectors. One project included the widening of substantial portions of the Inter-American Highway. Also finished was a new road in northwestern Panama which offers land access to parts of the fastest growing province in Panama, Bocas del Toro. Other projects included the expansion of the Manzanillo International Terminal, a joint U.S./Panamanian container facility; development of the Balboa port by Hutchison Port Holdings (Hong Kong); and two private toll roads, the Panama-Colon Highway and the Corredor Sur serving Panama City. Other large private projects included commercial shopping centers, expansion of the port at Chiriqui Grande, a water purification plant, and the start of the rehabilitation of the Panama Canal Railway. All of these projects fueled demand for cement, steel rebar, concrete block, asphalt and related products.

Banking and Finance

In June 1998, Panama's banking sector came under new legislation that provides for a strong, well-financed Superintendent. Other features of the new law include: Basel Accord standards for capital adequacy, enhanced authority to liquidate banks, higher minimum capital requirements, and limits on lending to related parties. Three types of licenses are permitted: a "general license" with the right to operate in the Republic of Panama and internationally; an "international license" with the right to conduct off-shore transactions only; and a "representational license" to handle the interests of foreign institutions without conducting banking operations. There is no deposit insurance.

U.S. banks with general licenses include Chase (recently acquired by HSBC), Citibank, and Bank Boston.

Total bank assets of Panama's 82 licensed banking institutions decreased from \$37.0 billion in 1999 to \$36.6 billion at the end of first quarter of 2000. The total number of institutions, moreover, is down from 104 because of international mergers and consolidation. Consumer lending, especially in the automobile market, and commercial lending, particularly in financing higher Colon Free Zone inventories, were key factors driving fast credit growth in 1998 and 1999. System-wide banking capital and reserves tracked assets, and increased by nearly \$100 million to \$3.2 billion.

From 1997 to 1998, Panama's foreign public debt increased marginally to \$5.41 billion. Foreign official creditors hold 30% of the debt, while the private sector holds 70%, almost exclusively in the form of Brady Bonds and Eurobonds. The government just issued a \$400 million global bond in June 2000, assigned BB+ by Standard and Poor's.

The Privatization Fiduciary Fund, funded by capital raised from the sale of public sector enterprises totaled \$1.3 billion as of June 2000. The government passed a law in June 2000 that allows for investing the fund more aggressively in order to increase its yield. The law also provides for the fund to be used to retire Panamanian debt.

Panama Canal

The "Panama Canal Authority" (PCA), is the new Panamanian government agency that took over the duties of the PCC when the Canal transferred to Panamanian control on December 31, 1999. The PCC operated the Canal on a break-even basis. The successor PCA operates the Canal more like a business enterprise and has increased total contributions to the government treasury by \$50 million. At present, over 98% of Canal employees are Panamanian, as is the Canal's Administrator. Oceangoing commercial transits through the Panama Canal rose by .6% to 14,336 in 1999, while total toll revenue increased 4.2% or \$569 million. In FY 1999, net tonnage, on which tolls are assessed, just surpassed the previous year at 196 million tons (an increase of 6 million tons). The Panama Canal Authority has estimated Canal traffic will rise 2% in 2000.

Plans to complete the widening of the Gaillard cut which will permit two-way traffic of Panamax vessels (largest which can fit into the locks of the Canal) are still expected to finish by 2002. According to the Panama Canal Administrator, the cut-widening will increase Canal capacity by 20%. There are also proposals to study the possibility to install a third set of "Super Panamax" locks before the end of the decade.

Colon Free Trade Zone

Established in 1948 at the Atlantic entrance to the Panama Canal, the Colon Free Zone (CFZ) is the largest of its kind in Latin America. Worldwide, it is second only to Hong Kong in overall activity. During 1999, the CFZ was hit hard by a slowdown in Latin America, its biggest export market. Total CFZ imports fell to \$4.0 billion in 1999, down 21.5% from \$5.1 billion in 1998. Total exports fell to \$4.9 billion in 1999, down 17.3% from \$6.0 billion in 1998. Still, CFZ contributions to the Panamanian economy (re-exports minus imports) rose 8.7% from \$827 million in 1998 to \$899 million in 1999. The CFZ has begun a modest recovery with January-May 2000 imports up 9.6% and re-exports up 6.3% from the same period in 1999.

In the longer term, the growth in adjacent container ports (MIT and Colon Port Terminal) and the planned revitalization of Panama's transisthmian railroad linking the Pacific and Atlantic ports, should aid the CFZ's competitiveness.

Complaints of intellectual property rights (IPR) violations continue to plague the CFZ. Enforcement action by the recently established CFZ Intellectual Property Department is viewed as a positive step in demonstrating Panama's intention to improve enforcement.

Tourism

Panama has never had much of a traditional tourism business. The great majority of so called

tourists have been friends and relatives of U.S. servicemen, relatives of the many mixed Panamanian/U.S. marriages, or business visitors who chose to enter Panama as tourists. With the servicemen gone, the number of “tourists” entering Panama has been flat at 35,000 monthly since January 1998.

The National Assembly passed in 1994 a law granting incentives to investors in the sector (primarily tax exemptions and long leaseholds.) The Government has high hopes for ecotourism development in former U.S. military bases, but promotion budgets have been quite thin.

GOVERNMENT ROLE IN THE ECONOMY

From 1968 until 1989, Panama was governed by a military regime that took a statist approach to economic development. While price controls were applied to many goods, government involvement was generally less pervasive than that in other countries that pursued import substitution policies. In 1990, under the Endara government, Panama embarked on a policy reform program to modernize government operations. Political opposition from entrenched special interest groups, however, diluted the substance of reforms.

An even more ambitious program of reforms was begun under the Perez Balladares administration that took office in September 1994. This administration passed reforms in banking, labor regulation, the tax code, and fiscal management (funding a near bankrupt government pension program). The Government also negotiated WTO accession, re-negotiated Panama's \$3.5 billion foreign commercial bank debt, privatized state-owned enterprises, and lowered tariff protection to the lowest average rate in Latin America.

The Moscoso regime has not adhered to the liberalizing policies of her predecessors. The government increased agriculture tariffs dramatically on many goods in October 1999 and again in early 2000. Almost a year after taking office, business leaders and opposition political parties claim it has yet to offer concrete plans of where it wants to take the economy. The government passed a bill in June 2000 that will re-invest the holdings of the Fiduciary Fund to obtain a higher yield and thus provide more funds for social projects. Issues such as tax reform and support for a third set of locks for the Panama Canal will all come to the legislative forefront before the end of the year.

The use of the U.S. dollar as Panama's currency means that fiscal policy is the government's principal macro-economic policy instrument. Because Panama does not issue its own currency, government spending and investment are strictly bound by tax and non-tax revenues and the government's ability to borrow.

According to Department of Defense estimates, the U.S. military in Panama directly contributed about \$200 million annually to the local economy and probably up to \$350 million including indirect benefits. In addition, the military constructed numerous roads, schools, medical clinics, and wells. The government of Panama admits that the withdrawal of U.S. forces resulted in significant economic loss, especially for the tourist, real estate, entertainment, and small-scale services sectors of the economy.

BALANCE OF PAYMENTS

Panama's goods and services export earnings have traditionally been among the largest in the region relative to GDP, 13.75% in 1999. This is because the country has profited from its geographical location and dollar-based economy to develop a strong services sector. Net services surpluses have traditionally financed large merchandise trade deficits.

Services: Growth of service exports in 1999 was a strong 11.1% to \$585.3 million. While maritime transportation services were up strongly (Canal and port activity), the downturn in services associated with the CFZ and rapidly falling U.S. military spending moderated those gains.

Merchandise: Panama's merchandise imports totaled \$3.515 billion in 1999, up 2.9% from \$3.417 billion in 1998. Panama's total merchandise exports, on the other hand, totaled only \$707 million in 1999, up 0.4% from \$704 million. (Note: These statistics do not include trade by the Colon Free Zone.)

Debt: From 1998 to 1999, Panama's foreign public debt increased marginally to \$5.4 billion. Foreign official creditors hold 30% of the debt, while the private sector holds 70%, almost exclusively in the form of Brady Bonds and Eurobonds.

Panama has successfully returned to international capital markets. Moody's Investors Service rates Panama sovereign debt Ba1; Standard and Poor's just affirmed its BB+ long-term credit rating and revised its outlook on its Panama ratings from negative to stable. Both ratings are among the highest for third world debt. Panama's debt generally trades with less volatility and a lower risk premium than most other Latin American issues.

INFRASTRUCTURE

Panama has relatively well developed infrastructure. Inter-city highways are generally good, allowing goods and services to move with relative ease. With the new completed road offering access to Bocas del Toro province, that area should see significant growth in the next few years. Roads remain poor in the sparsely populated Darien province, though an Inter-American Development Bank loan is in place to finance infrastructure development in that remote area. Planned investment in highways, ports, and the railroad in the Panama-Colon corridor should prove very beneficial.

Panama privatized its power generation and distribution facilities in 1998, taking in over \$600 million in the sales and assuring needed investment. Power generation is nearing capacity, and with electricity demand forecast to grow at 6% annually for the next several years, new power plants will need to be built. The government retains ownership and operation of the power transmission utility.

Port development continued in 1999. Manzanillo International Terminal, already the largest

container port in Latin America, contracted to buy two additional "super post panamax" cranes, reflecting anticipated growth. Meanwhile, Hutchison Port Holdings of Hong Kong kicked off construction of its \$150 million port project at the Pacific entrance to the Canal. U.S. partners Kansas City Southern Industries and Mi-Jack Products began construction on the rehabilitation of the Panama Canal Railway, an expected investment of \$73 million that will link the ports at each end of the Canal.

Cable & Wireless (U.K.) continued with its multimillion-dollar investment program in the telecommunications utility it acquired in May 1997. Its concession grants monopoly rights until 2003, when telecommunications services will open to competition. At market opening, licenses will be unlimited and issued gratis, while rates will be dictated by the marketplace.

Both Cable and Wireless and BellSouth have concessionary rights to cellular phone service. Neither company dominates the market, but BellSouth enjoys a slight market lead.

III. POLITICAL ENVIRONMENT

NATURE OF POLITICAL ENVIRONMENT WITH THE UNITED STATES

Formal U.S.-Panamanian relations date to 1903, when a bilateral treaty gave the U.S. the right to build and unilaterally control the transisthmian canal that was completed in 1914. This traditional, at times controversial, relationship was ended by mutual agreement in the 1977 Panama Canal Treaties, which stipulated that Canal administration would pass to Panama and all U.S. troops would withdraw from the country by December 31, 1999.

With the end of the U.S. troop presence in Panama, relations between the two countries are being redefined in a cooperative and constructive manner. The U.S. Embassy and other agencies are currently working with their Panamanian counterparts towards this aim.

Current U.S.-Panama relations are generally congenial and businesslike, with both countries cooperating on important law enforcement, trade and investment, and other international issues. The U.S. Government expects these examples of progress in our relationship will follow also into a stronger economic partnership. Recently, the U.S. and Panama updated their Bilateral Investment Treaty and implemented a new OPIC investment agreement.

President Mireya Moscoso, who spent many years in the United States during the Torrijos and Noriega dictatorships, seems committed to forging a close, mutually beneficial relationship with the United States.

MAJOR POLITICAL ISSUES AFFECTING BUSINESS CLIMATE

Since her election President Moscoso has expressed a commitment to abide by agreements made by her predecessor with the IMF, the World Bank, and the World Trade Organization. She has also stated that her administration will respect the politically unpopular privatizations of several parastatal enterprises carried out by the Perez Balladares administration.

The Moscoso government can be expected to continue down the path of economic liberalization, although at a slower pace than its predecessor and with more attention to the short-term welfare of Panamanians temporarily disadvantaged by economic dislocations. The Moscoso administration's ability to control its own political and economic agenda has been hampered, however, by a slim legislative majority and continuing budget constraints.

Although the transfer of the Canal and reversion of U.S. military properties were expected to increase opportunities for private investment, the business community continues to refrain from exploiting the areas fully. The hesitation is due, in part, to failed government promotion as well as a confusing, unclear GOP statement of economic objectives and vision. The said, U.S. companies should find possibilities to participate as suppliers to Canal operations and maintenance. In addition, former military properties could be converted into major investments in tourism, transportation, trade, and other as yet-unexploited sectors.

Although Panama is one of the most economically developed countries in the region, problems such as corruption, drug trafficking, money laundering, and alien smuggling remain serious challenges for Panama's future.

Influential individuals in the private sector have expressed strong reservations regarding the judicial sector in Panama, which they view as cumbersome, slow, and at times, corrupt. Both the International Development Bank and USAID have initiated programs to assist the GOP to promote reforms of the justice system.

BRIEF SYNOPSIS OF POLITICAL SYSTEM, SCHEDULE FOR ELECTIONS, AND ORIENTATION OF MAJOR POLITICAL PARTIES

Panama is a representative democracy with three branches of government: executive and legislative branches elected by direct vote every five years, and a nominally independent judiciary appointed by the executive. Because the current Panamanian judicial system is inefficient at best, and corrupt at worst, many U.S. companies doing business in Panama have arbitration agreements in place as an alternative to the courts.

Since the U.S. military intervention that removed dictator Manuel Noriega in 1989, Panama has passed through a generally successful process of democratic institution building that has been validated by two national referendums and two general elections, the latest in May 1999. Panama's next general election is not scheduled to take place until 2004, although referendums on constitutional issues remain a possibility.

The president has broad powers under Panama's constitution, but must work with a 71 member unicameral Legislative Assembly (LA). Moscoso's Arnulfista party, along with several smaller parties, enjoys a slim coalition majority. The Democratic Revolutionary Party (PRD) holds 34 seats, two shy of a majority, and is the main opposition. The marriage between Moscoso and coalition partners has been shaky at best, as the coalition has broken with the President on several important issues, including the recent Fiduciary Fund debate. It remains to be seen how the

coalition will function in the legislative assembly slated for September, as various legislators currently jockey for advantage in preparation for the next session.

Although the Legislature lacks the strong budgetary authority wielded by the U.S. Congress, it does play an important role in shaping political, economic and social initiatives.

Moscoso's Arnulfista Party (PA) is the political legacy of her late husband, three-time Panamanian president Arnulfo Arias. It is Panama's second largest party. With over 100,000 adherents, the Arnulfistas are growing rapidly, as people look for jobs or favors from the government. PA's popularity traditionally derives from Panama's rural "interior" provinces. Not ideologically driven, Arnulfista Party faithful have generally taken their political cues from the top, although recently they have become more independent.

The Democratic Revolutionary Party (PRD), of former-President Ernesto Perez Balladares, was founded in 1979 as the political wing of the Torrijos dictatorship. It has traditionally appealed to the young and the urban poor. The PRD remains Panama's largest single party with over 225,000 members, although this number continues to decline rapidly as the party lacks the spoils of power. Nonetheless, the PRD remains Panama's best organized political party, providing for an effective opposition. The party leadership is currently in flux as opposing factions backing Perez Balladares, Martin Torrijos (son of the party's founder), and Juan Carlos Navarro (Mayor of Panama City) all vie for control.

Moscoso's coalition partners in the Legislative Assembly span a wide spectrum of interest and ideologies. The incipient "Popular Block", marginally led by prominent banker and former-presidential candidate Alberto Vallarino, includes members of the old Christian Democrats as well as former Arnulfistas who supported Vallarino's candidacy. They lean center-left (as their European Christian Democrats counterparts), and have strong business ties. Other business-oriented parties include MOLIRENA (Spanish-language acronym for the National Liberal Republican Movement) and Cambio Democratico (Democratic Change). Their bases remain the middle and upper classes inside Panama City. As of yet, these parties have never captivated poorer segments of Panamanian society and have thus performed poorly in past presidential and legislative elections. Solidarity and the National Liberal Party (a party of influential business people), both formerly aligned with PRD, switched their support to the Arnulfistas to provide the Moscoso government with stability.

IV. MARKETING U.S. PRODUCTS AND SERVICES

DISTRIBUTION AND SALES CHANNELS

Business practices in Panama are very similar to those in the U.S. Business tends to be direct and straightforward. On average, Panama City accounts for 65% of total national sales of consumer goods, the remaining 35% is distributed among the principal cities of David, Colon, Santiago and Chitre.

Generally, the marketing channel structure in Panama is simple. Direct importers act as

wholesalers and in many cases also as retailers. This situation is common in the case of apparel, automotive parts and hardware products. In the case of consumer goods, food and medicines, the retail operation is separate from the wholesale operation. In the industrial goods sector, sales are normally handled by local exclusive agents or distributors. In other cases, local firms order directly from U.S. brokers or the manufacturer.

Some of Panama's major importers are also regional distributors located in the Colon Free Zone (CFZ). Generally, CFZ importers/distributors have affiliated stores in Panama City for retail sale to the local market.

USE OF AGENTS/DISTRIBUTORS; FINDING A PARTNER

According to Panama's constitution, nationals and foreigners are equal under the law. Both Panamanian and foreign companies must fulfill the same basic requirements to organize and operate most types of business activities in Panama. There are restrictions on foreigners participating in retail trade and practicing certain professions. In practice, however, there are legal ways to overcome these restrictions. U.S. firms interested in retailing should consult a local attorney.

Agents and distributors in Panama are regulated only by the private agreements made between the parties involved. In cases of contract termination or disputes, the private contract clauses prevail over any other document or practice.

Individuals may engage in business activities in their own names or through legal entities. The most commonly adopted form of legal entity is the corporation (sociedad anonima). Other types of legal entities commonly used in Panama are: general partnerships, simple limited partnerships, joint stock partnerships and limited liability companies.

FRANCHISING

Panama is receptive to U.S. style franchising. The market for both specific and general franchising opportunities is attractive. Panama maintains no control on royalty payments or transfers. Recreation, entertainment services, fast food, automotive, and hotel and motel franchises are readily marketable as the local market demands better facilities and services. The U.S. Embassy recommends consulting a local attorney for details on how to set up a franchise in Panama.

DIRECT MARKETING

Key factors for market success in Panama are: high quality, customer service, brand-name recognition and attractive packaging. U.S. products targeting the middle to upper-middle income market are usually competitive. Panamanians have a penchant for high quality U.S. products.

Consumers with high disposable income follow sophisticated U.S. and European consumption patterns. Most high-end U.S. and foreign brand names are represented in Panama. An

aggressive marketing strategy is usually necessary to succeed in this trend-conscious market.

JOINT VENTURES/ LICENSING

Joint ventures, especially for large projects, are becoming common in Panama. Some joint ventures are formed for limited periods of time, such as for a specific construction contract or technology transfer contract. The profits from joint ventures can be distributed annually to each joint venture partner, and are taxed in the same manner as any other income.

Panamanian law does not regulate the registration of license agreements. Nevertheless, license agreements are frequently used to reinforce rights to registered trademarks. The agreements must be attached to the registered trademark and filed with the Industrial Property Department in the Ministry of Commerce and Industry. The agreement becomes part of the file on the trademark covered.

Panama is an interesting and potentially profitable site for licensing agreements and joint ventures as well as routine buy/sell operations. The Colon Free Zone offers the U.S. exporter looking for regional marketing arrangements a convenient one-stop distribution center. There have been problems of money laundering, intellectual property piracy and drug trafficking in the CFZ. All U.S. firms should be aware of these factors before commencing operations in the Zone.

STEPS TO ESTABLISHING AN OFFICE

Panama has one of the most modern and flexible corporate laws in Latin America. Below are some of the advantages offered by Panamanian corporate law:

1. Two or more persons of any nationality, even though not domiciled in Panama, may organize a corporation for any lawful purpose. The articles of incorporation may be executed anywhere, even outside of Panama, and in any language.
2. There are no requirements regarding the amount paid in capital.
3. Ownership of a Panamanian corporation may reside in a single individual or corporation and no part of the capital needs to be held by a Panamanian.
4. There are no nationality or residence requirements for shareholders.
5. Neither the directors nor the officers are required to be shareholders.
6. The Board of Directors must be composed of at least three directors, but one person may hold more than one position.
7. Meetings of shareholders or directors may be held outside of Panama. Proxies may be used by shareholders/directors.

In order to form a corporation in Panama, the client must furnish the following information:

1. The name of the corporation. It may be in any language, but it must terminate in a word or abbreviation indicating that it is a corporation.
2. The objectives and purposes of the corporation.
3. The amount of the authorized capital. Usually the authorized capital will consist of US\$

10,000 divided into 100 shares of US\$ 100 each. Shares may be nominative or bearer shares.

4. Duration of the corporation, usually perpetual.
5. The full names and addresses of three or more directors and/or officers.
6. The domicile of the corporation.

The time period usually involved in setting up a corporation is from 15 days to two months. Attorney fees usually range from US\$ 600 to US\$ 1,500 per corporation.

In order to engage in commercial or industrial activities, all corporations, partnerships or individuals must obtain proper authorization from the Ministry of Commerce and Industry. There are three basic types of licenses involved:

- a) Commercial License Class A is required for wholesale operations, commercial and mortgage banks, financial companies, international financial brokers, insurance and reinsurance companies, international transportation companies, mutual funds, public utilities, and high-technology service companies.
- b) Commercial License Class B is required for retail businesses, including representation agencies, service companies, bars, restaurants, drugstores, real estate agents, gas stations, local transportation, distributors and others. This license is only granted to Panamanians or corporations owned solely by Panamanians.
- c) An Industrial License is required for extractive and manufacturing industries, as well as construction companies.

Exemptions for business license requirements are granted to persons or legal entities engaged exclusively in agriculture, cattle, bee, or poultry raising, or in the manufacturing and sale of handicrafts, provided that the work is not performed by hired workers. Licenses must be kept at all times in a visible and accessible place. The cost for obtaining a license ranges from US\$ 250 to US\$ 750. Also, an annual tax is levied based on the net worth of the company, as stated in the income tax return.

SELLING FACTORS/TECHNIQUES

Panama has the highest per capita income in Central America. The majority of income is skewed to a small, consumer goods oriented economic class. These upper-middle and upper class families have high levels of disposable income. They are interested in purchasing high quality, trend-setting goods. Price is less of a factor in purchasing decisions made by this class than for the middle and lower income classes. The majority of Panamanians are interested in quality but price plays a more important role in the purchase decision.

The use of the U.S. dollar as legal currency and consumer preference for high quality products at competitive prices are two reasons for high acceptance of U.S. products in Panama. Overall, U.S. products are well accepted in the market and are considered of good quality. However, in many instances, U.S. products must compete against lower priced products especially from the Far East. For example, as in the U.S. itself, Japanese and Korean electronics dominate the market

because of aggressive market entry techniques and good quality at competitive prices.

ADVERTISING AND TRADE PROMOTION

Television and newspaper advertising are the promotion tools of choice for the majority of distributors of U.S. products. Panama has a very competitive advertising market, with standard prices and very good production quality. Additionally, trade shows and exhibitions are effective tools for trade promotion. Special sale prices are usually advertised in newspapers during weekends.

Most foreign manufacturers of consumer products maintain a high profile presence in the country through newspaper ads, large billboards, sponsored sports events, and TV advertising. Radio advertising is mainly utilized outside of Metropolitan Panama City.

Major Newspapers:

La Prensa

General Manager - Juan Luis Correa

P.O. Box 6-4586, El Dorado

Panama, Republic of Panama

Tel: (507) 222-1222

Fax: (507) 221-7328

E-mail:ventas@prensa.com

<http://www.prensa.com>

Daily Circulation: 35,000

Format: standard

Advertising prices: US\$ 11.50 per columnar inch, each page 6 columns of 21 inches.

El Panama America

General Manager - Francisco Arias

P.O. Box B-4

Panama 9A, Republic of Panama

Tel: (507) 230-1666

Fax: (507) 230-1033

E-mail:clientes@epasa.com webmaster@epasa.com

<http://www.epasa.com>

Daily Circulation: 22,000

Format: standard

Advertising prices: US\$ 8.50 per columnar inch, each page has 126 columnar inches.

La Estrella de Panama

General Manager - Ing. Ricardo Murcillo

P.O. Box Q

Panama 4, Republic of Panama

Tel: (507) 227-0555

Fax: (507) 227-0723
 Daily Circulation: 12,000
 Format: standard
 Advertising prices: US\$ 5.00 per columnar inch, each page has 126 columnar inches.

El Universal de Panamá
 General Manager – Ing. Jorge Luis Chau
 P.O. Box 9815
 Panama 9, Rep. of Panama
 Tel. (507) 225-7700
 Fax. (507) 225-6993
 E-mail: eluniver@sinfo.net
 Daily Circulation: 21,143
 Format: Standard
 Advertising prices: US\$ 3.50 per columnar inch, each page has 126 columnar inches.

Major advertising agencies are associated with international advertising firms.

PRICING PRODUCT

The price structure for imported goods in Panama depends on the level of competition. The costs of transportation and import duties vary from item to item. In some cases, prices for consumer products and food are higher than world average because of cartelization of the local market. For the sake of illustration, the calculation below demonstrates average costs added to a product before it reaches the consumer. Import duties average 10% over CIF value and wholesale and retail markups are about 25% each.

Average Pricing Schedule

	\$ Price
CIF Panama	\$100.00
Import Duty	<u>10.00</u>
Total Landed Cost	\$110.00
Wholesale Price	137.50
Retail Price	\$171.88

Note: A 5% value added tax on CIF value plus the import duty is assessed at the time of customs liquidation. Since this value-added tax is payable on all goods, domestic and imported, and is passed through to the consumer, it is not included in this calculation.

SALES SERVICE/CUSTOMER SUPPORT

Competition among distributors is often decided by the training, counseling and support they receive from their principals. U.S. companies should focus on providing U.S.-level training and technical assistance to their distributors and making sure they have the resources to provide after-sales support, including spare parts, service equipment, etc.

SELLING TO THE GOVERNMENT

Panama does not have a Central Procurement Office such as the U.S. General Services Administration (GSA). All purchases of goods and services of any significant value are by law advertised for public bid. Government procurement regulations establish that each government organization is responsible for its own procurement but subject to the supervision of the Ministry of Economy and Finance and the Comptroller General's Office. Government regulations also establish a process of company pre-qualification for purchases above \$ 250,000, in order to make sure that potential suppliers have the proper qualifications. Another feature of the procurement system is that tender documents are discussed with interested companies in order to assure agreement about an understanding of terms and condition of participation. Lack of transparency, excessive delays, and bureaucracy in the bid selection process have caused problems for U.S. and other bidders in important government bids in the past.

PROTECTING YOUR PRODUCT FROM IPR INFRINGEMENT

Panama is a member of the World Intellectual Property Organization (WIPO), the Geneva Phonogram Convention, the Brussels Satellite Convention, and the Universal Copyright Convention. Panama is also a member of the Bern Convention for the Protection of Literary and Artistic Works, and the Paris Convention for the Protection of Industrial Property. (Refer to Section VII: Protection of Property Rights, for more information).

NEED FOR A LOCAL ATTORNEY

The law requires that every corporation organized pursuant to the laws of Panama have a resident agent within Panama, who must be an attorney. The annual fee for this service is about \$ 200. It is estimated that over 400,000 corporations are registered in Panama.

Registering a national trademark, patent or a sanitary registration application requires a power of attorney. A list of attorneys can be obtained from the National Trade Data Bank (NTDB) through the domestic and foreign offices of the U.S. Department of Commerce.

V. LEADING SECTORS FOR U.S. EXPORTS AND INVESTMENT

BEST PROSPECTS FOR NON-AGRICULTURAL GOODS AND SERVICES

1- BUILDING PRODUCTS (BLD)

Rank of Sector: 1

Name of Sector: Building Products

ITA Industry Code: BLD

Comments: The construction sector in Panama declined after peaking in the first half of the 1990's but resumed growth in recent years. Initially, the majority of construction was concentrated on middle to high-income apartments and commercial buildings but now the construction is strongest for low-cost housing and high cost suburban housing. A growing

demand exists for after-construction building products used for improving, decorating or modifying existing buildings. This market is especially strong because of the high purchasing power of this sector of the population. U.S. building products are well received because of their perceived quality and competitive price. U.S. products in this sector enjoy a market share above 60%. Competitors are mainly from Taiwan, Italy and Spain. There are no significant restrictions on imported products. Import duties are in the range of 5 to 15% over CIF value. The demand is especially strong for gypsum board, lighting, and roofing/flooring products.

(Millions)	1998	1999	2000
Total Market Size	276.0	308.0	336.0
Total Local Production	113.0	135.0	150.0
Total Exports	0.0	0.0	0.0
Total Imports	163.0	173.0	186.0
Imports from the U.S.	106.0	114.0	121.0

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)
(The above statistics are unofficial estimates.)

2 – TRANSPORTATION SERVICES: PORT AND MARITIME SERVICES

Rank Sector: 2

Name of Sector: Transportation Services: Port and Maritime Services

ITA Industry Code: TRN

Comments: Because of its strategic location Panama is a key maritime center. The Panama Canal has historically been the symbol of Panama's maritime activities. In recent years, Panama's traditional main ports, Cristobal on the Atlantic and Balboa on the Pacific, have been privatized. Balboa has been modernized but little has been done with Cristobal to date.

Additionally, two new container ports have been built on the Atlantic (Manzanillo, operated by the U.S. based Stevedoring Services of America, and Coco Solo operated by Taiwanese-based Evergreen). Panama's container handling capability has increased from 250,000 in 1997 to approximately 1 million in 1999. A new transisthmian railroad is being built by the U.S. firm Kansas City Southern that will increase port activities by allowing container transshipment between the two oceans.

The Panama Canal Authority, now under Panamanian control, intends to increase ancillary service such as fueling, ship chandling, ship repair and other services. This may represent market opportunities for U.S. companies.

Additional opportunities for U.S. companies are in Petroleum Export Zones (PEZ) which are especially designated areas where foreign or national companies can establish operations to produce, refine and export petroleum products. These zones can also make direct sales to foreign vessels transiting the Panama Canal, and to foreign airlines. Companies operating out of these PEZs are exempt from municipal or federal taxes and are not subject to government regulations affecting the local market.

(Millions)	1998	1999	2000
Total Market Size(1)	150.0	180.0	200.0
Total Local Production (2)	10.0	12.0	16.0
Total Exports (3)	0.0	0.0	0.0
Total Imports (4)	140.0	168.0	184.0
Imports from the U.S. (5)	50.0	60.0	69.0

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)

(The above statistics are unofficial estimates.)

(1) Total Sales; (2) Sales by local firms; (3) Foreign sales by local firms; (4) Sales by foreign owned firms; (5) Sales by U.S. owned firms.

3 - TELECOMMUNICATIONS EQUIPMENT (TEL)

Rank of Sector: 3

Name of Sector: Telecommunication Equipment

ITA Industry Code: TEL

Comments: The telecommunications sector in Panama changed significantly in 1998, when the government-owned telecommunications company (INTEL) was converted into a corporation and 49 percent of its shares sold to the U.K. firm Cable and Wireless. The terms of the privatization require Cable and Wireless to improve and broaden services, completely digitalize all switching stations and upgrade transmission lines to fiber optics. A cellular license was awarded to Bell South in 1995, which has over 100,000 subscribers so far and provides service in most of the more densely populated areas of the country. A second cellular service was started by Cable & Wireless in 1998 and currently has a similar number of subscribers. On January 1, 2003, all telecom services in Panama will be fully opened to competition and an unlimited number of licenses will be issued gratis. Both the privatization and the increased future competition will provide increased market opportunities for U.S. exporters. There are also 500,000 fixed telephone lines in the country, giving one of the highest teledensity rates in Latin America. There is also an ongoing sector demand for PABX systems, radio trunk systems, satellite-based telecommunications facilities and paging systems. Main competitors in the market are the United Kingdom, Japan, Sweden, France and Canada.

(Millions)	1998	1999	2000
Total Market Size	110.0	120.0	140.0
Total Local Production	0.0	0.0	0.0
Total Exports	0.0	0.0	0.0
Total Imports	110.0	120.0	140.0
Imports from the U.S.	20.0	36.0	43.0

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)

(The above statistics are unofficial estimates.)

4 - AUTOMOTIVE PARTS AND SERVICE EQUIPMENT (APS)

Rank of Sector: 4

Name of Sector: Automotive Parts and Service Equipment

ITA Industry Code: APS

Comments: The market for new automobiles showed a downturn in 1999, following a slowdown in the performance of the economy. This has a direct impact on the demand for automotive parts and service equipment because car owners tend to keep their old cars and spend more on maintenance. The car population in Panama is estimated at 350,000 units.

Approximately 20,000 new cars were sold in 1999. U.S. car sales grew during recent years, initially, as Japanese products became less competitive because of the yen's appreciation against the dollar. Although the yen is now substantially weaker, U.S. sales continued to increase in the first half of 2000. U.S. participation in the automotive parts and service equipment is relatively low (market share is 30-35 percent). The main competitors are Japan, Korea and Taiwan. However, the U.S. market position will improve as sales of U.S. cars increase. Demand will also remain strong for U.S.-made car parts and accessories for Japanese models. Import duties for automotive parts are 10-15 percent over C.I.F. value. There are no import restrictions on these products. Sub-sectors offering the best market opportunities are: servicing equipment, tubes and tires, and engine parts.

(Millions)	1998	1999	2000
Total Market Size	60.0	67.0	74.0
Total Local Production	0.0	0.0	0.0
Total Exports	0.0	0.0	0.0
Total Imports	60.0	67.0	74.0
Imports from the U.S.	21.0	22.0	27.0

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)

(The above statistics are unofficial estimates.)

5- MANAGEMENT CONSULTING SERVICES (MCS)

Rank of Sector: 5

Name of Sector: Management Consulting Services

ITA Industry Code: MCS

Comments: A number of factors provide favorable conditions for a continued development of the management consulting services market in Panama. First, under the 1977 Panama Canal Treaties, vast amounts of land and infrastructure reverted to Panama in 1999 from the U.S. military. Panama will need to implement a number of projects to make an efficient use of these resources. The World Bank, the Inter-American Development Bank and other international organizations are or are likely to be involved in financing specific projects in these areas. Second, since Panama joined the World Trade Organization and the tariff protection that existed a few years ago is almost gone, Panamanian companies will have to learn to do business in a more competitive environment. This situation will create the need for consulting services aimed at increasing efficiency. The above factors will generate market opportunities for U.S. consulting companies in the following areas: land development, environment, marketing, tourism

development, privatization, and energy generation.

(Millions)	1998	1999	2000
Total Market Size	27.0	35.0	39.0
Total Local Production	7.0	8.0	10.0
Total Exports	0.0	0.0	0.0
Total Imports	20.0	27.0	29.0
Imports from the U.S.	15.0	20.0	24.0

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)

(The above statistics are unofficial estimates.)

6 – COMPUTER SOFTWARE

Rank of Sector: 6

Name of Sector: Computer Software

ITA Industry Code:CSF

Comments: The market outlook for computer software improved significantly with the passage in early 1995 of a copyright bill that covers computer software products. Software piracy by individuals and corporations has been the biggest problem faced by the computer software industry. The new bill provides the legal framework for fighting piracy practices at all levels. The Business Software Alliance, a private group, has been active fighting software piracy. Best opportunities are for software productivity tools, i.e. data base software, oriented to the mid range/mainframe environment. This type of software has traditionally represented over 80 percent of the market. Another important market is for personal computer software, including word processing, spreadsheet, graphics, data base and telecommunication applications. An emerging sector is multimedia, including games, educational and other CD-ROM based applications. U.S. software publishers are well known in Panama. Some software companies from Chile, Venezuela and Costa Rica have targeted Panama for the introduction of Spanish-language products, mainly business applications, e.g., payroll, accounts payable/receivable, etc. There are no restrictions on importing/marketing foreign software in Panama.

(Millions)	1998	1999	2000
Total Market Size	17.0	18.0	26.0
Total Local Production	1.0	1.0	2.0
Total Exports	0.0	0.0	0.0
Total Imports	16.0	17.0	24.0
Imports from the U.S.	13.0	14.0	20.0

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)

(The above statistics are unofficial estimates.)

7 – WATER AND WASTEWATER TREATMENT EQUIPMENT

Rank of Sector: 7

Name of Sector: Water and Wastewater Treatment Equipment

ITA Industry Code: WRE

Comments: The Government of Panama passed several laws in 1996 allowing it to undertake an ambitious privatization program including public utilities. By 1999, all public utilities had been successfully privatized, except the Water and Sewage agency (IDAAN). For political reasons IDAAN was not privatized but the government intends to grant concessions to build and operate water plants in specific areas of the country.

In 1998 the government passed a General Environmental Law and created the National Environmental Authority (ANAM). The law established controls and regulations regarding the use of natural resources and set forth measures to protect the environment. As a result, industrial establishments, municipalities, hospitals, hotels, etc. will have to implement a number of measures in order to comply with regulations aimed at protecting the environment. This includes wastewater treatment procedures.

Best market opportunities are in the construction of new water plants, rehabilitation and expansion of existing infrastructure, and the construction of new wastewater collections and treatment facilities in Panama's metropolitan area (Panama City, Colon and surrounding areas). Another major project for the not too distant future is the cleaning of Panama Bay. This will entail intensive use of wastewater treatment equipment and technology.

There is no domestic production of water and wastewater equipment. Regulations for water and wastewater equipment are those established by the American Waterworks Association /ANSI. The United States is the largest supplier of water and wastewater equipment (market share above 80%).

(Millions)	1998	1999	2000
Total Market Size	7.0	8.0	10.0
Total Local Production	0.0	0.0	0.0
Total Exports	0.0	0.0	0.0
Total Imports	7.0	8.0	1.0
Imports from the U.S.	4.0	5.0	8.0

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)
(The above statistics are unofficial estimates.)

8 – FRANCHISING

Rank of Sector: 8

Name of Sector: Franchising

ITA Industry Code: FRA

Comments: Panama offers excellent opportunities for franchising. Panamanians have a special preference for U.S. products and services. They travel frequently and are familiar with the U.S. franchising industry.

There are approximately 50 franchises already operating in Panama. The franchises cover a number of sectors including fast food, restaurants, hotels, mailing services, courier services, automotive, dry cleaning, tuxedo rental, car rental.

Because the U.S. Dollar is legal currency, Panama has no restrictions on profit repatriation or fee/royalty payments. The government places no limitations or regulations on franchise operations.

Industry sources indicate that new franchise investment in Panama may reach \$3 - \$6 million annually. This amount is expected to grow in the next years. A number of economic groups and even companies in non-retailing businesses such as law firms are seeking to diversify their businesses and franchising is a favorite area because there is usually no need to have industry expertise. The market is open to non-traditional, innovative franchises.

(Millions)	1998	1999	2000
Total Market Size	5.0	7.0	9.0
Total Local Production	0.0	0.0	0.0
Total Exports	0.0	0.0	0.0
Total Imports	5.0	7.0	9.0
Imports from the U.S.	4.0	5.0	7.0

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)
(The above statistics are unofficial estimates.)

9 – GENERAL SERVICES: WAREHOUSING AND WHOLESALING

Rank of Sector: 9

Name of Sector: General Services: Warehousing and Wholesaling

ITA Industry Code: GSV

Comments: There are significant opportunities for wholesaling, warehousing and distributions in the Colon Free Zone (CFZ), the largest free zone in the Western Hemisphere and second in the world to Hong Kong. The CFZ is located in the city of Colon, adjacent to Manzanillo International Terminal on the Atlantic side of Panama, 90 kilometers from Panama City. Goods (except firearms or petroleum products) may be imported, stored, modified, repacked and re-exported without being subject to any customs regulations.

Most of CFZ merchandise is transshipped from Panama to other parts of the Western Hemisphere and Europe. Imports into the CFZ come mainly from the Far East. Colombia is the largest purchaser of merchandise. Other principal buyers are Ecuador, Panama, Venezuela, the United States, Chile and Guatemala.

The CFZ is administered as an autonomous institution of the Panamanian government. It has been in operation since 1953. The CFZ offers free movement of goods and complete exemption from taxation on imports and re-exports. There are no taxes on the export of capital or the

payment of dividends. In addition, there are reduced income tax rates on earnings from re-export sales. Furthermore, firms located in the CFZ are exempt from import duties as well as from guarantees, licensing, and other requirements and limitations on imports. Due to its geographic location, the CFZ is a major factor in channeling goods from large industrialized countries to consumer markets in Latin America.

Companies operating from the CFZ enjoy numerous trade advantages along with especial tax incentives and tax credits. Special income tax rates are granted for foreign trade operations. Companies in the free zone pay no corporate income tax. Dividends paid on profits from foreign trade operations and from direct sales are not subject to the dividend tax. Merchandise arriving at, stored in, or leaving the CFZ destined for a foreign country is exempt from taxes, charges or any type of fee. Also, CFZ companies are not subject to any other type of federal or municipal tax.

(Billions)	1998	1999	2000
Total Market Size (1)	11.0	9.0	11.0
Total Local Production	0.0	0.0	0.0
Total Exports(2)	6.0	5.0	6.0
Total Imports	5.0	4.0	5.0
Imports from the U.S.	0.5	0.4	0.6

(1) Total Trade (2) Reexports

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)

(The above statistics are unofficial estimates.)

10 – SECURITY AND SAFETY EQUIPMENT

Rank of Sector: 10

Name of Sector: Security and Safety Equipment

ITA Industry Code: SEC

Comments: The market for security and safety equipment has good growth potential. Crime is on the rise in Panama and banking and commercial institutions have been targeted for armed assaults. There is also an increasing need for security equipment in residential areas and public places. Because of high labor costs many businesses and households are automating security. The United States has kept strong presence in the security and safety equipment market with a share above 70% during recent years. U.S. products are of high quality. Main competitors are from Japan, Korea and Germany. Best sales prospects are fire and burglar alarms, smoke detectors, electronic surveillance equipment and safe/strong boxes. Also, car alarm systems are always in strong demand. There are no restrictions on the entry of security and safety equipment. U.S. and European standards are accepted in Panama. Import duties range between 10% and 15%. Main users are banks, retailers, hotels, airports, hospitals, and large local and multinational corporations.

(Millions)	1998	1999	2000
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Total Market Size	3.0	4.0	6.0
Total Local Production	0.0	0.0	0.0
Total Exports	0.0	0.0	0.0
Total Imports	3.0	4.0	6.0
Imports from the U.S.	2.0	3.0	4.0

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)

(The above statistics are unofficial estimates.)

BEST PROSPECTS FOR AGRICULTURAL GOODS AND SERVICES

Name of Sector: Consumer Oriented Agricultural Products

PS/D: High Value Products (HVP)

Comments: HVP continues to be the most important category of American exports of food products to Panama with a growth of 8% during 1999, reaching an all time high of \$89 million. Snack foods (up 13% to \$12 million) is the most important item, followed by Processed Fruits and Vegetables (33% increase to \$11 million); Fruit and Vegetable Juices (75% increase to \$8 million); Wine and Beer (28% decrease to \$8 million); and Fresh fruits (16% increase to \$5.6 million).

Best prospects are: beer, poultry and red meat (for processing), red meat preserved, snack foods, and fruits.

(Millions)	1998	1999	2000 (E)
Total Market Size	218.0	264.0	290.0
Total Local Production (1)	221.0	309.0	350.0
Total Exports	165.0	231.0	260.0
Total Imports	162.0	186.0	200.0
Imports from the U.S.	82.0	89.0	100.0

Banana production recuperated with an increase of 40% over last year and total exports of \$182 million in 1999.

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)

Sources: USDA and Office of the Comptroller General

(The above statistics are unofficial estimates.)

Name of sector: Bulk Agricultural Products

PS/D: G&F

Comments: Lower prices have affected export values despite the fact that export volumes of grains, mainly corn and wheat, increased.

Best prospect sub-sectors: Yellow corn, wheat, and pulses

(Millions)	1998	1999	2000 (E)
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Total Market Size	128.0	141.0	160.0
Total Local Production	101.0	114.0	120.0
Total Exports (1)	60.0	58.0	60.0
Total Imports	87.0	85.0	100.0
Imports from the U.S.	65.0	50.0	60.0

(1) Adjusted for re-classification of products

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)

Sources: USDA and Office of the Comptroller General

(The above statistics are unofficial estimates.)

Name of Sector: Intermediate Agricultural Products

PS/D: O&P

Comments: With drastic reductions in U.S. exports of sugars, sweeteners and beverage bases, and soybean oil, this sector suffered a 39% decrease to \$48 million in 1999.

Best prospects sub-sectors: Soybean meal to feed a fast growing animal industry, vegetable oils and soybean oil.

(Millions)	1998	1999	2000 (E)
Total Market Size	215.0	216.0	222.0
Total Local Production	101.0	105.0	105.0
Total Exports	3.0	3.0	3.0
Total Imports	117.0	114.0	120.0
Imports from the U.S.	80.0	48.0	70.0

Exchange Rate: 1 U.S. Dollar = 1 Balboa (Fixed Rate)

(The above statistics are unofficial estimates.)

SIGNIFICANT INVESTMENT OPPORTUNITIES

The following areas offer investment opportunities for U.S. companies.

Reverted Areas

As a result of the Panama Canal Treaties of 1977, in December 31, 1999, the United States completed the process of transferring to Panama the Canal, 364,000 acres of land, more than 4,000 buildings and other infrastructure located in the former Canal Zone. Panama is committed to utilizing these resources to enhance the country's economic and social development. If this is to be accomplished, a number of projects will have to be developed in these areas in the very near future. The Inter-American Development Bank co-financed a \$5 million study to recommend plans for the efficient use of these resources. The study was approved by the National Assembly and became Panama's official plan for the use of the reverted areas. The

Panamanian Government established the Interoceanic Regional Authority (Spanish acronym ARI), to administer the reverted resources and to devise a development strategy. Projects approved or under consideration, include manufacturing, assembly, tourism, marine services, warehousing, education, scientific research, and energy generation. Tourism and marine service projects seem to have the most potential in the reverted areas. The large Howard Air Base offers special opportunities as an air cargo hub or aircraft repair and maintenance facility.

Electric Power Generation

Panama restructured its electric sector in 1998, following the privatization of the Instituto de Recursos Hidraulicos y Electrificación (IRHE), which until that year controlled the generation, transmission and distribution of electricity in Panama. The Government of Panama only retained ownership and control of the transmission company. A regulatory body (Ente Regulador) was also created to regulate the electric sector as well as the telecommunications and water sectors. Panama's demand for electricity grows approximately by 45 MW per year. New investment is necessary to meet this demand. The law allows for private sector participation in power generation. A number of new projects have been undertaken for thermo and hydroelectric generation. Also, a new 230 KV transmission line project that will cover the entire Central American region is about to be implemented. This transmission line will open up the possibility of larger power generation projects because of the large regional market soon to be available. The planned expansion of the Panama Canal watershed will also allow for increased availability of water resources that are envisioned to be utilized for power generation.

Port and Maritime Services

Because of its strategic location Panama is a key maritime center. The Panama Canal has historically been the symbol of Panama's maritime activities. In recent years, Panama's traditional ports, Cristobal on the Atlantic and Balboa on the Pacific, have been privatized. Balboa has been modernized but little has been done with Cristobal to date.

Additionally, two new container ports have been built on the Atlantic (Manzanillo, operated by the U.S.-based Stevedoring Services of America, and Coco Solo operated by Taiwanese-based Evergreen). Panama's container handling capability increased from 250,000 in 1997 to approximately 1 million in 1999. A new transisthmian railroad is being built by the U.S. firm Kansas City Southern that will increase port activities by allowing container transshipment between the two oceans.

The Panama Canal Authority, the Panamanian government organization now in charge of Canal operation, intends to increase ancillary services such as fueling, ship chandling, ship repair and other services.

Additional opportunities for U.S. companies are in the Petroleum Export Zones (PEZ) which are especially designated areas where foreign or national companies can establish operations to produce, refine and export petroleum products. These zones can also make direct sales to foreign vessels transiting the Panama Canal, and to foreign airlines. Companies operating out of these

PEZ's are exempt from municipal or federal taxes and are not subject to government regulations affecting the local market.

Water and Sewage

The National Water and Sewage Company (IDAAN) is the only utility owned and operated by the government. It is expected, however, that the Government will give more participation to the private sector in the water and sewage sector. Panama has a total population of 2.8 million, 1.7 million have access to IDAAN services. There are 304,577 connections. Approximately 69% of the clients are located in Panama City and Colon. IDAAN's revenues in 1999 were approximately \$ 70 million. Water production capacity is 43,099.6 M3/HR. IDAAN has been plagued by a number of problems, including bad management, low investment and widespread inefficiency. IDAAN water losses are estimated at 50%, of which 20% are technical and 30% commercial. Multimillion-dollar investments are necessary to modernize and upgrade the country's water and sewage system and large private investment will be required in one form or another. Cleaning Panama Bay, another large project, will offer commercial opportunities for U.S. firms.

Forestry

The Government of Panama is leasing, under 20 year contracts (re-newable for 20 additional years), over 20,000 Acres of land in the water shed of the Panama Canal and also in the central provinces, to anyone interested in establishing forestry projects, for commercial purposes. Private forestry projects may be combined with fruit production and eco-tourism. The size of parcels vary from 250 to 4,000 Acres, with no limit to the total amount of land which can be rented by a single individual or concern. Rental prices range from \$8.00 to \$16.00 per Acre per year. According to Panamanian legislation, forestry activity has many tax incentives, including import tax exemptions (for equipment), and income tax exemptions. (For more up-dated information refer to The Foreign Agricultural Service, American Embassy Panama, Unit 0945, APO AA 34002, Tel (507) 207-7000, Fax (507) 225-4209, E-mail: Office.Panama@mail.doc.gov)

NOTE: "The Government of the United States acknowledges the contribution that outward foreign direct investment makes to the U.S. economy. U.S. foreign direct investment is increasingly viewed as a complement or even a necessary component of trade. For example, roughly 60 percent of U.S. exports are sold by American firms that have operations abroad. Recognizing the benefits that U.S. outward investments brings to the U.S. economy, the government of the United States undertakes initiatives such as Overseas Private Investment Corporation (OPIC) programs, Bilateral Investment Treaty negotiations and business facilitation programs, that support U.S. Investors."

VI. TRADE REGULATIONS AND STANDARDS

TRADE BARRIERS (TARIFFS, NON-TARIFF BARRIERS AND IMPORT TAXES)

The Panamanian Government changed in September 1999. The previous Government joined the

WTO and lowered tariffs to a maximum of 15%, except for a few agricultural products, and to an average of 12%, the lowest in the region. The revised import duty structure was significantly lower than the one negotiated for WTO accession and represented a substantial commitment to trade liberalization. The new Government has maintained this policy with regard to manufactured products but has largely reversed it for agricultural products. Duties for most agricultural products have been increased to the maximum limits permitted by the WTO accession. Additionally, the Government has erected substantial non-tariff barriers for certain agricultural products including chicken, beef, and some produce and dairy products. The mechanism utilized has been alleged phytosanitary deficiencies or simply the refusal to process phytosanitary permit applications for agricultural products. Panamanian law provides that such permits be presumed issued if not processed within 30 days but the relevant ministry has refused to recognize this legislation and refused entry for such shipments. Some containers of perishable items have suffered long delays in Panamanian ports and at least one shipment was returned to the originating country.

The items affected were mostly unprocessed but there have also been cases involving processed or partially processed foods that should not require phytosanitary certificates. The effect of these barriers was to reduce agricultural imports and cause operating problems for Panamanian supermarkets, restaurants and hotels catering to tourists that require access to high quality imported food. In June 2000, in response to complaints from certain exporting countries, the Government stated its intention to maintain its WTO commitments for agricultural imports. If fully implemented, this could mean the end of the harassment of agricultural imports although the higher duty structure is only likely to be reduced slowly in accordance with the WTO accession agreement. If the non-tariff barriers are not lowered it is likely that the dispute will be formally submitted to WTO by one or more of the supplying countries that believe them to be in violation of the treaty.

CUSTOMS VALUATION

Panama assesses import duties on an ad valorem basis. The ad valorem system uses the declared C.I.F. value as the basis for import duty calculations and in some cases utilizes historical price information as a reference.

In addition to the duty, all imports into Panama are subject to a 5 percent transfer or value added tax (ITBM) levied on the C.I.F. value, plus import duty and other handling charges. Pharmaceuticals, foods and school supplies are exempt from the ITBM tax.

In 1995, Panama changed its international trade classification system from the Customs Cooperation Council Nomenclature (CCCN) and Brussels Tariff Nomenclature (BTN) to the Harmonized System (HS).

IMPORT LICENSES

No import licenses are required in Panama. Phytosanitary permits are required to import some agricultural products. These were routinely issued in the past but are now frequently refused or

delayed as a means of limiting agricultural imports. Any company holding a commercial license can freely import goods into Panama. A commercial or industrial license is required by individuals or companies wishing to engage in commercial or industrial activities.

EXPORT CONTROLS

The Fiscal Code regulates all matters concerning the country's exports. The Code establishes that all national products may be exported, except:

- drugs, with the exception of those having pharmaceutical or scientific purposes.
- staple products determined by the Government to be temporarily scarce in the country; and,
- those products the Panamanian Government decides not to export for reasons of convenience or in the economic interest of the country.

Exports subject to the payment of taxes require an Export Authorization, which is issued by the National Customs Office, Ministry of Economy and Finance. (See Appendix E for contact information.) Exports subject to taxes are: bananas, metals, raw sugar and natural resources. Exports of textiles are also subject to an export authorization.

IMPORT\EXPORT DOCUMENTATION

Import Documentation

The processing of customs documents in Panama for imports is fast, efficient and reliable. Merchandise imported into Panama must be cleared through customs by a customs broker licensed by the Government of Panama. Exceptions are made for goods which are imported duty free, consigned to national or municipal governments, imported by foreign diplomats, sold to the authorities of the Canal Area, sold to vessels transiting the Canal, or intended for reexport.

Basic import documentation required by the Panamanian Customs office is:

- Import Declaration (Prepared and signed by a Customs Broker),
- Commercial Invoice (To be presented in English or Spanish in quadruplicate),
- Airway Bill,
- Bill of Lading (To be presented in triplicate),
- Commercial License Number,
- Phytosanitary Certificate (In case of animal and plants products, to be obtained from the U.S. Department of Agriculture), and,
- Certificate of Free Sale (if required)

Any food product or other item used for human consumption (including for use on human skin or clothes) may be subject to the Certificate of Free Sale (CFS) documentation requirement. The main purpose of the CFS is to prevent the dumping of inferior goods, especially for human consumption, on the Panamanian market. The CFS must verify that

a product is sold freely and used widely in the U.S. Potential exporters of items subject to the CFS documentation requirement may wish to either contact:

- (1) their trade association which may provide the service of issuing the documentation, or,
- (2) the Food and Drug Administration, Division of Programs and Enforcement Policy, 200 C Street, SW, Washington, DC 20204.

If for any reason the bill of lading or any other required document cannot be presented within 24 hours after the shipment has arrived, clearance of the goods will be permitted by posting a bond equal to the amount of import duties. The bond is cancelled if the prescribed documents are presented in due form within a period of 90 days. The bond may be extended in justified cases, an additional 90 days.

Export Documentation

The Vice Ministry of Foreign Trade was created in 1998 to promote exports and investment. It facilitates the processing of export documentation through a "One Stop" (ventanilla unica) office which can reduce the export process to a few hours. (Refer to Appendix E for contact information on the Vice Ministry of Foreign Trade).

Export documentation required by Panamanian Customs authorities is:

- Commercial Invoice,
- Export Declaration (usually prepared and signed by a Customs Broker),
- Certificate of Origin (issued by the Chamber of Commerce, Industry and Agriculture of Panama or the Panama Trade Development Institute),
- Bill of Lading,
- Airway Bill,
- Veterinary, Sanitary or Phytosanitary Certificate (when applicable).

TEMPORARY ENTRY

The Panamanian Fiscal Code establishes a temporary entry regime of up to one year for all types of merchandise. There are two options. First, the goods can enter the country if the importer makes a deposit equivalent to the import duty. This payment will be reimbursed at the time the goods leave the country. Second, an insurance company can issue a bond for the importer covering the import duty value, payable if the goods fail to exit the country as scheduled.

Special temporary provisions apply in the case of trade shows and exhibitions taking place at the Atlapa Convention Center, Panama's exhibition and convention center. Goods can enter the Atlapa Convention Center with no warranty payment or bond required. The merchandise to be displayed in certain trade shows enjoys duty free status and may be sold off the floor duty free.

Samples with commercial value are subject to temporary entry requirements. Samples with no commercial value are admitted duty free. If samples arrive in large containers, they will be

dutiable even though they may be marked as free samples.

LABELING, MARKING REQUIREMENTS

Panama has no special regulations for labeling and marking. Labels are required to have basic information regarding the name and address of the manufacturer, expiration date, list of ingredients, lot number, and the product form, e.g. powder, liquid, etc.

Labels in English are accepted, except medicines, household products and foods which require special instructions. In these cases instructions regarding dosage, usage, warnings, etc., must be in Spanish.

All goods arriving in Panama intended to be reexported immediately must be marked "PANAMA IN TRANSIT" on each box or outside container.

In general, products which comply with U.S. labeling and marking requirements will also meet local requirements and are suitable for sale in Panama.

PROHIBITED IMPORTS

The following products cannot be imported into Panama:

- Counterfeit coins or printed material that imitates currencies,
- Equipment or instruments for manufacturing coins,
- Liquors, wines, beers or medicines with labels that falsely describe contents, or of any kind of harmful preparation,
- Certain firearms or war materials,
- Foreign lottery or raffle tickets,
- Opium in the form of gum or for smoking,
- Obscene brochures, books, newspapers, magazines, or postcards containing negative portrayals of the country's culture, civilization or dignity, and,
- Plants, seeds, or animals when determined by the Ministry of Agriculture.

STANDARDS (E.G. ISO 9000 Usage)

The Government of Panama designated the Comision Panamena de Normas Tecnicas (COPANIT), an agency of the Ministry of Commerce and Industry, as the domestic registering authority for participation in the International Standards Organization ISO-9000 program. There is no legal limitation in Panama on participation in ISO-9000 by firms doing business here. In fact, an increasing number of Panamanian firms are seeking or have already obtained ISO-9000 certification. Panama is a member of the Pan American Standards Commission (COPAN), headquartered in Venezuela.

FREE TRADE ZONES/WAREHOUSES

The Colon Free Zone

The Colon Free Zone (CFZ), the largest in the Western Hemisphere and second in the world to Hong Kong, is located in the City of Colon, adjacent to Manzanillo International Terminals on the Atlantic side of Panama and 90 kilometers from Panama City. Goods (except firearms or petroleum products) may be imported, stored, modified, repacked and re-exported without being subject to any customs regulations.

Most Free Zone merchandise is transshipped from Panama to other parts of the Western Hemisphere and Europe. Imports into the CFZ come mainly from the Far East. The largest individual supplier of the CFZ in 1999 was Hong Kong, followed by the United States, Taiwan, Japan and Italy. These five countries supplied nearly 63 percent of all CFZ imports in 1999. Colombia is the largest purchaser of merchandise, buying nearly 20 percent of all CFZ exports. Other principal buyers are Ecuador, Panama (domestic market), Venezuela, the United States, Chile and Guatemala. These countries (including Colombia) buy approximately 51% of all exports from the CFZ.

The CFZ is administered as an autonomous institution of the Panamanian Government. It has been in operation since 1953. Today it is completely developed, and covers 300 hectares, including 45 hectares designated as an industrial zone.

The CFZ offers free movement of goods and complete exemption from taxation on imports and re-exports. There are no taxes on the export of capital or the payment of dividends. In addition, there are reduced income tax rates on earnings from re-export sales. Furthermore, firms located in the CFZ are exempt from import duties as well as from guarantees, licensing, and other requirements and limitations on imports. Due to its geographic location, the CFZ is a major factor in channeling goods from large industrialized countries to consumer markets in Latin America. Unfortunately, the CFZ has also been used by the Colombian drug cartels for money laundering and drug trafficking. Other problematic transactions include trade in pirated intellectual property and stolen vehicles.

The CFZ is operated and managed by its Board of Directors, an Executive Committee and the General Manager of the institution. Corporations or individuals of any nationality may establish operations in the CFZ without obtaining a commercial license or investing any minimum amount of capital. Firms interested in operating in the CFZ must file an application and provide a copy of articles of incorporation and bank references.

There are four basic ways of doing business in the CFZ:

1. Leasing lots on which the firm builds a warehouse or other facilities as designed by the firm. Land leases are granted for a 20-year period;
2. Purchasing an existing facility from the Zone Administration;
3. Reaching an agreement with a company already established in the CFZ as the operator's representative. The cost of this service is set by mutual agreement between the parties concerned. Representation agreements are subject to the approval of the Zone Administration; or,

4. Leasing a public warehouse operated by the Zone Administration. The firm receives its goods and stores them like any other company there. There are no fixed costs and payment is based on the weight or volume of the goods stored.

Companies operating in the CFZ can engage in four types of sales operations:

1. Re-export of goods from CFZ warehouses;
2. Sales to clients located within Panama's customs territory;
3. Direct sales to foreign clients in which goods are shipped from a third country manufacturer without physically arriving in the CFZ; or,
4. Transfers in which sales are made to other CFZ firms.

Companies operating from the CFZ enjoy numerous trade advantages along with special tax incentives such as tax credits, depending on the number of Panamanian employees, and special income tax rates on foreign trade operations. Companies in the free zone pay no corporate income tax. Dividends paid on profits from foreign trade operations and from direct sales are not subject to the dividend tax. Merchandise arriving at, stored in, or leaving the CFZ destined for a foreign country is exempt from taxes, charges or any type of fee. Also, CFZ companies are not subject to any type of national or municipal tax.

Contact the CFZ Administration and the Users Association for more information. (Refer to Section II of this report for key statistical information on the CFZ and to Appendix E for contact information).

Export Processing Zones

On November 30, 1992, Panama passed Law No. 25 allowing for the establishment and development of Export Processing Zones (EPZ) within the country.

EPZs are well-defined areas for the establishment of industrial, commercial and service facilities which operate in a free trade system. All or most production is exported. A range of incentives have been established to attract companies into the EPZs.

Companies allowed to establish operations in EPZ are those engaged in manufacturing, assembly, high technology, and specialized and general services, e.g. computer data entry, reinsurance.

The EPZ law establishes two classes of EPZ firms. The first consists of EPZ developers and the second of tenant companies within the EPZ.

The Panamanian Government offers the developer the following tax incentives:

Exemption during the life of the contract (the maximum is 20 years), from taxes, duties and other charges related to the importation of machinery, equipment, accessories and material used in the construction of the facilities. Exemption from property and income

taxes, and taxes on capital or assets for the first ten years of operation. From the 11th year until the end of the contract, the developer is exempt from income tax on net earnings reinvested in the development and expansion of the EPZ, provided that the amount reinvested exceeds 20 percent of the net taxable income for the fiscal year the reinvestment is made. Lastly, the developer may carry over losses from the year in which the loss takes place.

The tenant companies exporting from an EPZ are offered the following benefits:

Exemption from taxes, duties and other charges related to the importation of machinery, equipment, raw materials, semi-processed goods and other materials such as packaging, fuel and lubricants used in the manufacturing process. Exemption from income tax on profits arising from exports, and exemption from export sales taxes, as well as from taxes on capital and assets of the export industry.

The EPZ law also includes specific labor and immigration provisions for employees of EPZ firms which are more favorable than those established by the current Panamanian Labor Code.

Presently, there are seven EPZs approved by the GOP. Most of them are in early stages of development. Contact the Vice Ministry of Foreign Trade for information on EPZs. (Refer to Appendix E for contact information on the Vice Ministry of Foreign Trade).

Petroleum Export Zones

The Government of Panama enacted Decree No. 29 (Executive Decree) dated July 14, 1992, allowing the creation of Petroleum Export Zones (PEZ) in specially-designated areas in Panama.

Decree No. 29 allows any foreign or national company to establish operations in a PEZ to produce, refine and export petroleum products. It also permits direct sales to foreign vessels transiting the Panama Canal, and to foreign airlines. Companies operating out of these PEZs are exempt from municipal or federal taxes and are not subject to government regulations affecting the local market.

The Government of Panama has authorized the following seven Petroleum Export Zones: Petroterminal de Panama (PTP, the transisthmian pipeline), Refineria Panama (TEXACO), Autoridad Portuaria Nacional (APN, the Port Authority), Aeropuerto Internacional de Tocumen, Petroport, S.A., Alireza Mobil Terminal, S.A., and Atlantic Pacific, S.A.. Contact the Ministry of Commerce and Industry, Direccion Nacional de Hidrocarburos for more information.

SPECIAL IMPORT PROVISIONS

Special import permits are required for all types of firearms and ammunition. Import permits can be obtained from the Ministry of Government and Justice.

MEMBERSHIP IN FREE TRADE ARRANGEMENTS

Panama is not a party to any agreements providing completely free trade, but does have bilateral preferential trade agreements with Costa Rica, El Salvador, Honduras, Guatemala, Nicaragua and the Dominican Republic. These accords are quota-based and deal with a limited number of specific products. There are also limited preferential agreements with Mexico, Dominican Republic and Colombia. Negotiations are under way to sign full-blown trade agreements with Chile and Mexico. Panama has also agreed to negotiate a more inclusive preferential agreement with Central America and the Andean Free Trade Agreement (Pacto Andino).

Panama is a beneficiary of the Caribbean Basin Economic Recovery Act, better known as the Caribbean Basin Initiative (CBI), which provides for one-way free trade access for specific Panamanian exports to the U.S. In 2000, the U.S. Government enacted new legislation enhancing the CBI program. The new CBI Law permits more liberal treatment of textile imports from CBI countries. Since Panama is not an important textile exporter, the new legislation will be of limited value to Panama.

VII. INVESTMENT CLIMATE

OPENNESS TO FOREIGN INVESTMENT

Based on Panama's central geographic location and its limited manufacturing and agricultural sectors, the Government of Panama and the business community actively promote this country's long-standing reputation as an international trading, banking, and services center, and as a site for foreign direct investment (FDI). Panama's dollar-based economy offers low inflation and no foreign exchange risk. The Panamanian Vice Ministry of Foreign Trade is responsible for providing investors with information, expediting specific projects, leading investment-seeking missions abroad, and supporting foreign investment missions to Panama.

U.S. companies own or are partners in many of the largest investments in Panama. Major U.S. investments include:

- Panama's only refinery (Texaco),
- Latin America's largest container port Manzanillo International Terminal (Stevedoring Services of America),
- Chiriqui Land Company (Chiquita Brands International),
- Power generation and distribution facilities (Constellation Power, AES, Enron, and Coastal Power),
- a cellular telephone concession (Bell South),
- the transisthmian oil pipeline (moth-balled) and container port at Chiriqui Grande (60% owned by Northville Industries and Chicago Bridge and Iron),
- an oil storage and transit facility (Mobil, in partnership with Alireza of Saudi Arabia), and
- 49% of COPA airline (Continental Airlines).

A U.S. partnership (Kansas City Southern Industries and Mi-Jack Products) has begun construction on an expected \$73 million investment to rebuild and operate the transisthmian

railroad.

Large non-U.S. foreign investments include:

- the local telecommunications company (Cable and Wireless of the U.K., 49% owner with management rights),
- the ports of Balboa and Cristobal, (Hutchison Port Holdings of Hong Kong),
- a container port (Evergreen of Taiwan),
- a power distribution company (Union Fenosa of Spain), and
- three private toll roads (PYCSA (2) and ICA (1), both of Mexico).

A major challenge for the new government, headed by President Moscoso, will be the development and productive use of the U.S. military areas reverted to Panama by the United States under the Carter-Torrijos treaties.

Projects concluded are the former Arraijan fuel tank farm, which is being managed by a U.S./Saudi partnership; the commuter airport at the former Albrook Airfield; and a sputtering Taiwanese investment in an industrial “export processing zone” (EPZ). Other projects on the drawing board include as yet undefined major tourist projects at the former Fort Amador on the Pacific and Fort Sherman on the Atlantic; a multi-use facility at Howard Air Base; and an academic and research community (City of Knowledge) at Fort Clayton. The latter two facilities have generated little interest or have been plagued by poor marketing, inept administration and revolving-door staffing at the agency responsible for their promotion.

The previous Perez-Balladares administration considered public infrastructure a key priority and therefore embarked on ambitious public construction projects. Both the Inter-American and the Transisthmian Highways are being widened, while construction of two highway toll roads around Panama City has been completed. Other infrastructure development includes Cable and Wireless' investment of \$500 million in telecom equipment and new lines, multimillion-dollar investments by power companies in the privatized power generation and distribution facilities, and heavy port investments on both coasts.

Panama's tax system promotes savings and investment by giving a wide variety of incentives, deductions, and allowances, which result in very low effective rates of taxation. The maximum personal income tax rate is 33% and the maximum corporate rate is 30% of domestically produced earnings. Although successive GOPs claim to have strengthened tax collection methods, the overall regulatory and supervisory framework is quite weak. Collection rates remain low due to tax evasion and the prevalence of a large informal economy. A proposal to reduce the number of taxes from over fifty to under ten remains on the agenda for the September legislative session.

The previous Panamanian government privatized a number of state-owned enterprises. These include the state telecom; electricity generation and distribution utilities; the transisthmian railroad; ports on both coasts; state-owned sugar companies; casino operations; the state cement company; a state-owned fruit company; and a horse racetrack. The national airport and a major convention center were scheduled for privatization in 1999, but these have been placed on hold

by the new administration. The new government pledged to prevent privatization of the inefficient state water and sewage utility and has gone back on promises of its predecessor to liquidate two money losing state banks.

While bids under the previous government were generally open, transparent, and problem-free, the government came under fire for the manner in which it conducted the privatization of port facilities near the Pacific end of the Panama Canal. As least one US firm complained that the process lacked transparency. The contract was awarded to a Hong-Kong based company, Hutchinson-Whampoa. Two other U.S. firms claim the Panamanian government knowingly overpriced the value of government assets in their concessions. One was compensated by the GOP and the other is seeking compensation via arbitration.

Panama's privatization framework law does not distinguish between foreign and domestic investor participation in prospective privatizations. The law calls for pre-screening of potential investors or bidders in certain cases to establish technical viability, but nationality and Panamanian participation are not criteria. Foreigners have participated actively and successfully in most privatizations to date.

Panama suffers from an expansive, unproductive labor force. Inflexible labor laws are partly responsible for this situation. Excessive regulation of firing practices reduces labor mobility and flexibility. The combination of high electricity and telecommunications costs and the highest minimum wage in Central America deters some investors. The minimum wage, which ranges from \$253 (in the city) to \$166 a month in the countryside, was recently set by decree, after a panel formed by the GOP, organized labor and business failed to agreed on a new wage. President Moscoso promised to increase the minimum wage by 40% in the next four years.

Panamanian Law forbids monopolistic and anti-competitive behavior. The Government of Panama passed in February 1996 an Antimonopoly Law, designed to prevent monopolistic practices and create a consumer protection authority. Consumers are protected by the independent CLICAC (Free Competition and Consumer Affairs Commission), which has instituted fines for practices ranging from selling expired products to price gouging. The agency tends to be for the most part active and respected, yet remains underfunded.

RIGHT TO PRIVATE OWNERSHIP AND ESTABLISHMENT

With the exception of retail trade and a few professions, foreign and domestic entities have the right to establish, own, and dispose of business interests in virtually all forms of remunerative enterprise. Foreigners need not be legally resident or physically present in Panama to establish corporations or to obtain local operating licenses for a foreign corporation. Business visas (and even citizenship) are readily obtainable for significant investors. Banking, legal and financial services and the legal regime are strongly oriented toward attracting foreign business and banking activity.

PROTECTION OF PROPERTY RIGHTS

Some of Panama's business, corporate, and banking codes have been modernized. They are, in general, enforced so as to create a favorable business climate. Panama does not have a bankruptcy law to facilitate the restructuring of firms, such as Chapter 11 in the U.S., although the new banking law gives the Superintendent of Banks considerable powers over the banking sector in this regard. Mortgages, liens, and other security interests are recognized. There is a public property registry, which is undergoing expansion and modernization. Unique features of Panamanian law and practice in specific areas (including but not limited to banking, accounting requirements, formation and functioning of corporations, and taxation) make retention of local legal counsel highly advisable. The civil legal system is inefficient, has a very large backlog, and is not viewed as fair or impartial by most Panamanians. The system has been corrupted in the past to strip U.S. investors of their legal property.

Intellectual Property Rights: Panama is a member of the World Intellectual Property Organization (WIPO), the Geneva Phonograms Convention, the Brussels Satellite Convention, the Universal Copyright Convention, the Bern Convention for the Protection of Literary and Artistic Works, the Paris Convention for the Protection of Industrial Property, and the International Convention for the Protection of Plant Varieties. In addition, Panama was one of the first countries to ratify the WIPO Copyright Treaty and the WIPO Performances and Phonograms Treaty.

Protection of intellectual property rights in Panama has improved significantly over the past several years, but concerns remain. Representatives of some U.S. firms allege that Panama provides inadequate copyright and trademark protection. For example, Nintendo of America and associated video game manufacturers petitioned the U.S. Trade Representative (USTR) in 1995 to remove Panama's benefits under the Generalized System of Preferences (GSP) program. In October 1998, USTR dismissed the petition, citing improvement in Panama's IPR regime. However, USTR remains concerned about inadequate border measures to combat transshipment of counterfeited goods through Panama and about enforcement deficiencies in the Colon Free Zone (CFZ).

In August 1994, the Legislative Assembly passed Law 15 (the Copyright Law) to help modernize copyright protection. A new Industrial Property Law (Law 35) went into force in November 1996. The Anti-Monopoly Law of 1996 mandated the creation of four commercial courts to hear anti-trust, patent, trademark, and copyright cases exclusively. Two courts and one superior tribunal began to operate in mid-1997, but establishment of the other courts has been delayed. Some U.S. intellectual property owners have experienced significant delays when they have sought infringement remedies in the Panamanian judicial system.

Over the past several years, Panamanian authorities have conducted numerous raids against large video piracy operations, and several cases are pending in the courts. In a series of raids in September 1998, authorities seized more than 5 million pirated compact discs being transshipped through Tocumen International Airport, believed to be the largest seizure ever in Latin America. The operating permits of some CFZ companies have been suspended as a result, but transshipment of such goods remains a serious problem.

Patents: Panama's Industrial Property law provides 20 years of patent protection from the date of filing. Pharmaceutical patents are granted for only 15 years, but can be renewed for an additional ten years, if the patent owner licenses a national company (minimum of 30% Panamanian ownership) to exploit the patent. The law also provides for protection of trademarks, simplifying the process of registering trademarks and making them renewable for ten-year periods. The Industrial Property Law provides specific protection for trade secrets.

Copyrights: The National Assembly in 1994 passed a comprehensive copyright bill, based on a World Intellectual Property Organization model. The law modernizes copyright protection in Panama, provides for payment of royalties, facilitates the prosecution of copyright violators, protects computer software, and makes copyright infringement a felony. Although the Attorney General's Office has taken a vigorous enforcement stance, the Copyright Office remains small and ineffective, and Panama's judicial system has not provided speedy and effective remedies for private civil litigants under the law. The government of Panama has recently taken initial steps to curb the use of pirated software in government entities. U.S. software manufacturers estimate that illegal software use in government offices is pervasive.

PERFORMANCE REQUIREMENTS / INCENTIVES

There are no legal performance requirements such as minimum export percentages or significant local procurement rules. There are special tax and other incentives for manufacturers to locate in an export-processing zone (EPZ). In practice, however, the current Ministry of Agriculture has conditioned issuance of phytosanitary permits for certain food imports with local purchase commitments. This practice is inconsistent with Panama's WTO obligations. Official support for investment and business activity is especially strong for the Colon Free Zone (CFZ), the banking sector, the tourism sector, and EPZs.

Companies in the CFZ pay no taxes. Banks in Panama pay no tax on interest or other income earned outside Panama and withhold no tax on savings or fixed time deposits in Panama. EPZs offer tax-free status and special immigration privileges, and license and customs exemptions to manufacturers who locate there.

Law 8 of 1994 offers tax and other incentives to investors in tourist industries. Tourism incentive laws provide, among other measures, tax exemptions for vehicles and other designated goods imported for use in, or to construct infrastructure for, the tourist sector. Similar incentives exist for the mining sector.

Law 28 of 1995 abolished national industry and export incentives. Nevertheless, contracts that were created prior to Law 28 continue to receive the benefits of the previous incentives. Investors should seek legal and accounting advice to evaluate potential investment incentives.

TRANSPARENCY OF THE REGULATORY SYSTEM

Regulations in Panama remain generally clear and tend not to present undue obstacles to companies seeking investment.

Like the judicial branch of government, regulatory authorities can, at times, be subjected to corruption and improper political influence.

LABOR

The Panamanian labor force numbers 1,083,500, with about 80% employed in the private sector and 20% in the public sector. Unemployment in 1998 was 11.6%, but Embassy estimates the rate may be underestimated. Pockets of chronic high unemployment, notably in Colon, Panama's second city, abound. Minimum wages range from \$0.80/hr. to \$1.50/hr., depending on the sector and the location.

While the Government of Panama has periodically revised its labor code, it nevertheless remains highly restrictive. Greater flexibility, easier termination of workers, and the elimination of many constraints on productivity-based pay must await future amendments.

EFFICIENT CAPITAL MARKETS AND PORTFOLIO INVESTMENT

Stock market financing is limited due to the small size of the national stock exchange, which reflects the limited liquidity available for equity investment. However, bank and non-bank financing is widely available on market terms to private domestic and foreign investors and to consumers. Mortgage lending mirrors practice in the U.S. It is common place, as is the availability of credit cards and personal loans, even to those earning modest incomes. Panamanian interest rates closely follow international rates (i.e., the London Interbank Offered Rate - LIBOR), plus a country-risk premium. The rate on a domestic commercial loan was 9.99% in 1999, while the six-month domestic deposit rate was 6.92%.

Traditional bank lending from the well-developed banking sector is relatively efficient and is the most common source of financing. Some private companies -- including foreign multinational corporations -- have issued bonds in the local securities market. Companies rarely issue stock on the local market. When they do, investor demand is limited because the small pool of persons with the resources to invest. There is a 10% withholding tax on dividends, although capital gains from the sale of equities listed on the Panamanian exchange are tax exempt. Fixed bank deposits and certain bonds are tax-exempt.

The private sector has access to a variety of credit instruments. Cross-shareholding or stable shareholder arrangements, designed to restrict foreign investment through mergers and acquisitions, do not exist. There are no restrictions on, nor practical measures to prevent, hostile foreign investor takeovers, nor are there regulatory provisions authorizing limitations on foreign participation or control or other practices to restrict foreign participation. There are no government or private sector rules to prevent foreign participation in industry standards-setting consortia.

A new Banking Law, passed in March 1998 regulates Panama's banking sector. The law, which concentrates regulatory authority in the hands of a powerful and well-financed Superintendent,

transforms the previously inadequate regime into one that will be able to meet international standards. Total bank assets in 2000 were \$36.6 billion.

Early in 1999 Panama passed a new Securities law that established a National Securities Commission to regulate brokers, fund managers, and all matters related to the securities' industry. The Commission began to function in early 2000, with financing from the Inter-American Development Bank.

CONVERSION AND TRANSFER POLICIES

Panama has no legal restrictions on the transfer abroad of funds associated with, profits deriving from, or capital employed in an investment. Panama uses the U.S. dollar as legal tender. Currency conversion therefore is not an issue. The Government of Panama has repeatedly emphasized its intention to retain the U.S. dollar as the national currency. There is, therefore, no independent monetary policy in Panama. Inflation, bound by the dollar, is low and predictable, thus enhancing the attraction of foreign investment.

EXPROPRIATION AND COMPENSATION

There is no de jure discrimination against U.S. or other foreign investors in most sectors, although recently two U.S. investors have had property or funds extra-judicially expropriated. There is a constitutional prohibition against foreign land ownership within ten kilometers of the national border or on an island. Neither Panamanian citizens nor foreigners may own beaches or the shores of rivers or lakes. Builders and investors generally rent the land for 20-30 years, via the Ministry of Economy and Finance. The tourism incentive law expands this period for up to 40 years.

DISPUTE SETTLEMENT

Panama has a court and judicial system built around a civil code, rather than the Anglo-American system of reliance upon case law and judicial precedent. Fundamental procedural rights in civil cases are broadly similar to those available in U.S. civil courts, although some notice and discovery rights, particularly in administrative matters, may be less extensive than in the U.S. Judicial pleadings are not always a matter of public record, nor is the process always transparent.

Most U.S. investors lack confidence in the Panamanian judicial system as an objective, independent arbiter in legal or commercial disputes, especially when the case involves powerful local figures with political influence. When disputes with foreign investors arise, as they do from time to time, the investors often choose not to pursue remedies available to them via the court system. The decision by investors to avoid the court system is understandable, given massive case backlogs and the aforementioned political influence in case outcomes.

An increasingly popular and viable alternative is the Center for Reconciliation and Arbitration established by the Panamanian Chamber of Commerce. Rulings by arbitrators are generally fair

and reasonable. In 1998, these rulings were afforded the status of judicial rulings by the GOP.

Panama became a member of the International Center for the Settlement of Investment Disputes (ICSID) in 1996. The United States and Panama signed an amendment to the Bilateral Investment Treaty to incorporate Panama's membership on June 1, 2000.

Panama enacted an Investment Stability Law in 1998, which among other things guarantees foreign investors ten years to adjust to changes in the regulatory regime made after the investment. One less attractive feature of the new law is that it calls for foreign investors who take advantage of the law's benefits to waive their rights to enlist the support of their Embassy in case of a dispute. The USG position on this clause is that the USG has a sovereign right to make diplomatic representations in matters of concern to it, a right that cannot be waived by a private investor.

POLITICAL VIOLENCE

Political violence in Panama is rare, although on the increase. Worker and student violence directed at the government occurred several times during the last Assembly session resulting in several injuries and arrests. In one instance protestors stormed and briefly occupied the National Assembly. The causes of violent protests have ranged from: opposition to the proposed privatization of the state water utility to the plight of the unemployed. These have occasionally resulted in injuries, but no deaths.

Concentration of wealth, the high unemployment rate (officially 11.6% but much higher in certain urban areas) and illicit drugs have been cited as the chief causes of crime. This is especially true in Panama's second largest city, Colon, where unemployment among young people is close to 50% and lack of housing and extreme poverty is commonplace. Although attempts are being made to reform the criminal justice system, it is overloaded, cumbersome, inefficient and at times inequitable.

BILATERAL INVESTMENT AGREEMENTS

Panama has bilateral investment agreements with the United States, the United Kingdom, France, Switzerland, Germany and Taiwan. Panama is not a party to any agreements providing for completely free trade, but does have bilateral preferential trade agreements with Costa Rica, El Salvador, Honduras, Guatemala, Nicaragua, Colombia, Dominican Republic, Germany, Bulgaria, Czech Republic, Hungary, Romania, Russia, and Poland. Panama finished negotiating a free trade agreement with Mexico in May 2000 and has committed to finishing trade agreements with the Andean Pact and the Central American Market.

OPIC AND OTHER INVESTMENT INSURANCE PROGRAMS

OPIC and the government of Panama recently signed a comprehensive agreement in April 2000, which the legislature approved and the President signed. OPIC President George Muñoz visited Panama for the signing and held a regional OPIC summit in Panama in late July to increase

knowledge of OPIC procedures. General enthusiasm for OPIC's role in FDI is high among the local business community.

OPIC currently supports only a few U.S. investments in Panama, but the numbers should quickly increase thanks to the new agreement. In previous years, OPIC has supported over 30 projects in Panama.

CAPITAL OUTFLOW POLICY

The U.S. dollar is legal tender in Panama. There are no restrictions on capital outflows or convertibility.

MAJOR FOREIGN INVESTORS

- Adrian Resources
- AES Corporation
- Alireza Mobil
- American Airlines
- American Hospital Supply Co.
- American Life Insurance Co.
- AOKI Corporation
- AT&T
- Banco Do Brasil
- Banco Exterior, S.A.
- Becton Dickinson & Co.
- Bell South Corp.
- Black and Decker International Corp.
- Borden Co.
- Braswell Service Group
- Bristol Laboratories International Corp.
- Cable and Wireless (U.K.)
- Challenge Air Cargo
- Chase Manhattan Bank, N.A.
- Cheesebrough Pond's Int. Ltd.
- Chiriqui Land Company (Chiquita)
- Chevron Corp.
- Citibank, N.A.
- Coastal Power
- Coca-Cola Bottling Co.
- Colgate Palmolive (Central America), Inc.
- Constellation Power
- Continental Airlines
- Cyprus Minerals Co.
- Del Monte Corporation
- Dole Foods Co.

- Eastman Kodak Company
- Enron Power
- Environmental System Research Institute
- Exxon Corp.
- Esso Standard Oil, S.A.
- First National Bank of Boston
- Freeport Exploration Co.
- General Mills Inc.
- Georgia Pacific Corp.
- Gillette Co.
- Glidden - Durkee
- Greenstone Resources
- Griffith Laboratories, Inc.
- Grupo Carvajal
- Goldstar Corp.
- GTE
- Hong Kong Shanghai Bank
- Hospital Corporation of America
- Hutchison Port Holdings (Hong Kong)
- IBM
- ICA
- International Proteins Corp.
- Jenny Manufacturing, Inc.
- Johnson and Johnson
- Kansas City Southern Industries
- Kendall Company
- Ketchum Public Relations
- Kimberly-Clark International, S.A.
- Kraft Foods, Inc.
- Lanier Worldwide, Inc.
- Lykes Line
- Marine Midland Bank
- McDonald's Corporation
- Merrill Lynch, Pierce, Fenner & Smith Int'l
- Mi-Jack Products
- Minnesota, Mining & Manufacturing
- Nabisco Brands Inc.
- Nestle Company
- Northville Industries Corp.
- Otis Elevator Company
- Chas. Pfizer & Company, Inc.
- Panasonic Latin America
- Phelps Dodge Corp.
- Phillip Morris, Inc.
- PYCSA, S.A.

- Revlon Inc.
- Rubbermaid Inc.
- Samsung Electronics
- Schering Corp. International
- Seaboard Marine Ltd.
- Sears, Roebuck & Co.
- Sherwin Williams
- Shell Co. (WI) Ltd.
- Sony Corporation
- Sterling Drugs International
- Stevedoring Services of America
- Swift and Company
- Swiss Bank Corp.
- Syntex Corporation
- Technoserve Inc.
- Texaco Inc.
- TRT Telecommunications Corp.
- Twentieth Century Fox
- Union Fenosa, S.A.
- United Brands
- United Parcel Service
- UNYSIS USA
- Warner Lambert Co.
- Xerox Corp.

VIII. TRADE AND PROJECT FINANCING

BANKING AND FINANCING

Panama's banking sector is one of the most dynamic areas of the economy. A new banking law enacted in March 1998, modernized the banking system and increased government supervision. Under the new law, the system meets Basle Accord standards. Bank financial statements now must comply with international standards and be audited by internationally recognized auditors. Panama's 86 banks (June 1999) had total deposits of \$27 billion, and reported \$37 billion in total assets, a 1 percent increase from 1997. In 1999, approximately 8 percent of the total credit portfolio represented loans to the public sector. Loans to the private sector in Panama reached \$10.2 billion, or 92 percent of total credit. Sectors obtaining significant shares of the loans are: trade and commerce (36%), mortgages (24%), and consumer banking (21%).

Panama opened its banking sector to foreign competition in 1971 under legislation which placed high priority on banker-depositor confidentiality. This has heightened the risk that the banking system can be exploited by money launderers. The banking legislation establishes three classes of operations. General license banks operate full service banks in Panama and compete for domestic deposits and loans (54 banks). International License or "Offshore" banks, can only

accept deposits from persons or organizations located overseas (23 banks). Representative Offices can only perform representational activities (9 banks). There are also two state-owned deposit-taking institutions. Foreign and Panamanian banks compete on equal terms. Banks are organized into two groups, the Panamanian Banking Association (Panamanian and Foreign Banks) and the Association of Panamanian Banks (only Panamanians banks). Banks are licensed and regulated by the Banking Supervisory Authority (Superintendencia de Bancos). Panama's banking system does not have a deposit insurance scheme.

FOREIGN EXCHANGE CONTROLS

There are no foreign exchange controls. The U.S. dollar is the national currency. There are no restrictions on capital flows in or out of the country.

GENERAL FINANCING AVAILABILITY

In mid-2000 the banking sector had a high level of liquidity. Private financing is readily available. The Government of Panama does not maintain statistics on the sources or level of privately-financed investment or trade and is not itself an important lender.

HOW TO FINANCE EXPORTS/METHODS OF PAYMENT

A number of local banks provide trade financing. Additionally, the Latin American Export Bank (BLADEX) provides trade financing through the local banking system. Because Panama is an international banking center, there are a number of financing options for Panamanian exporters and importers.

TYPES OF AVAILABLE EXPORT FINANCING AND INSURANCE

The Overseas Private Investment Corporation (OPIC), the U.S. Export-Import Bank (EXIM), the International Finance Corporation (IFC) of the World Bank, and the Inter-American Development Bank (IDB) have projects in Panama. A new OPIC agreement was signed with Panama on June 1, 2000 and subsequently confirmed by the Panamanian Legislative Assembly. Although there was a previous agreement dating to 1961, OPIC has been relatively inactive in Panama because of restrictive conditions in the enabling legislation for the original agreement. The new accord eliminates these problems and should open the way for considerably greater OPIC activity in Panama. Currently there are no projects in Panama large enough to require multi-institutional "bundling" arrangements. The Commodity Credit Corporation's (CCC) GSM Credit Guarantee program in Panama for fiscal year 1999 totaled \$44.5 million for exports of U.S. feed grains, protein meals and vegetable oil. Credit from any bank in Panama approved by CCC will be guaranteed. Significant lines of commodity credit guarantees were still available at the time of this writing.

AVAILABILITY OF PROJECT FINANCING

The EximBank has participated in the financing of a number of Government purchases. It is

currently providing financing in excess of \$100 million in insurance and guarantees (short, medium and long-term) in a number of sectors. The Inter-American Development Bank has financed several studies and projects, including a Nathan Associates study for the Panamanian Government of development strategies for the U.S. military facilities that reverted to Panama under the Panama Canal Treaties. The World Bank (IBRD) has a number of small social-sector-oriented projects, and recently cofinanced with IDB and the Government of Panama a \$406 million road construction and rehabilitation project. Panama has held discussions with IBRD about membership in the World Bank's Multilateral Investment Guarantee Agency, but has not yet applied to join. The Moscoso government has pursued financing from International Financial Institutions for a number of infrastructure and social sector investment projects (see also Section II, Infrastructure Situation).

LIST OF PANAMANIAN BANKS WITH CORRESPONDENT U.S. BANKS

Banco Continental de Panama, S.A.
 P.O. Box 135
 Panama, 9A, Republic of Panama
 Tel: (507) 215-7000
 Fax: (507) 215-7134
 General Manager: Lic. Osvaldo Moines
[Http://www.bcocontinental.com](http://www.bcocontinental.com)

U.S. Correspondents:
 Chemical Bank, New York
 Citibank, New York and Miami
 Credit Suisse, Miami
 Nations Bank, Miami
 Standard Chartered Bank PLC, Miami

Banco de Latinoamerica, S.A. (BANCOLAT)
 P.O. Box 4401
 Panama 5, Republic of Panama
 Tel: (507) 210-7100
 Fax: (507) 263-7368
 General Manager: Rafael Arias
 E-mail: bancolat@bancolat.com

U.S. Correspondents:
 Banco Atlantico, New York
 The Chase Manhattan Bank, New York
 Extebank, New York
 AmTrade Bank International, Miami
 Barclays Bank PLC, Miami
 Capital Bank N.A., Miami
 Hamilton Bank N.A., Miami

The International Bank of Miami, Miami
Republic National Bank of Miami, Miami
Popular Bank of Florida, Miami

Banco del Istmo, S.A.
P.O. Box 6-3823, El Dorado
Panama, Republic of Panama
Tel: (507) 270-0015
Fax: (507) 270-0861
General Manager: J. Montague Belanger

U.S. Correspondents:
Capital Bank, Miami
Nations Bank, Miami
Standard Chartered Bank, Miami
Banco Atlantico, Miami
Barclays Bank PLC, Miami
The Chase Manhattan Bank N.A., New York
Brown Brothers, Harriman & Co., New York

Banco del Pacifico, (Panama, S.A.)
P.O. Box 6-3100, El Dorado
Panama, Republic of Panama
Tel: (507) 263-5833
Fax: (507) 263-7481
General Manager: Jose Chung, Jr.

U.S. Correspondent:
First Chicago International Bank, New York

Banco Disa, S.A.
P.O. Box 7201
Panama 1, Republic of Panama
Tel: (507) 263-5933
Fax: (507) 264-1084
<http://www.bdisa.com>
General Manager: Lic. Rafael Endara J.

U.S. Correspondents:
The Chase Manhattan Bank N.A., New York and Miami
Marine Midland Bank, New York
Nations Bank International, New York
Dadeland Bank, Miami
National Westminster USA International, Miami

Banco General, S.A.
P.O. Box 4592
Panama 5, Republic of Panama
Tel: (507) 265-0303
Fax: (507) 265-0210
<http://www.banco-general.com>
General Manager: Raul Aleman Z.

U.S. Correspondents:
Citibank N.A., New York
The Chase Manhattan Bank N.A., New York
Marine Midland Bank, New York
Bank of America N.T. & S.A., San Francisco
Nations Bank, Atlanta
Dadeland National Bank, Miami
First Union Bank, Miami

Banco Internacional de Costa Rica, S.A. (BICSA)
P.O. Box 600
Panama 1, Republic of Panama
Tel: (507) 263-6822
Fax: (507) 263-6393
General Manager: Jose Francisco Ulate

U.S. Correspondents:
Citibank N.A., New York
BankAmerica International, New York
Banco Atlantico, New York
The Bank of New York, New York

Banco Internacional de Panama, S.A. (BIPAN)
P.O. Box 11181
Panama 6, Republic of Panama
Tel: (507) 263-9000
Fax: (507) 263-9514
General Manager: Rene A. Diaz A.
E-mail: bipan@bipan.com
[Http://www.bipan.com](http://www.bipan.com)

U.S. Correspondents:
Nations Bank International, Miami
Barclays Bank, Miami
Banco Internacional de Costa Rica, Miami

Banco Latinoamericano de Exportaciones, S.A. (BLADEX)

P.O. Box 6-1497, El Dorado
Panama, Republic of Panama
Tel: (507) 210-8500
Fax: (507) 269-6333
Chief Executive Officer: Jose Castaneda

U.S. Correspondents:
The Chase Manhattan Bank N.A., New York
Citibank N.A., New York
Credit Lyonnais, New York
Swiss Bank Corporation, New York
Barclays Bank PLC, Miami

Banco Panamericano, S.A. (PANABANK)
P.O. Box 1828
Panama 1, Panama
Tel: (507) 263-9266
Fax: (507) 269-1537
General Manager: Guido Martinelli
E-mail: panabank@pty.com

U.S. Correspondents:
American Express Bank, New York
Marine Midland Bank, New York
Hong Kong and Shanghai Bank, New York
Popular Bank of Florida, Miami
Hamilton Bank N.A., Miami
Barclays Bank PLC, Miami
Nations Bank International, Miami

Note: This list is intended to be representative and not complete. Further detailed information on these banks and other banks in Panama can be located in the Polk Register or by contacting the Asociacion Bancaria de Panama (Panamanian Bank Association). Refer to Appendix E for the three U.S. Banks with full operations in Panama.

IX. BUSINESS TRAVEL

Foreign visitors should use the same precautions while traveling in Panama as in any metropolitan U.S. city.

BUSINESS CUSTOMS

Business practices and customs in Panama are a unique blend of North American methods and traditional Latin style. Foreign corporations operating in Panama are important in shaping the style and manner of doing business.

Most private business offices are open from 8:00 a.m. until 5:00 p.m., Monday through Friday, and Saturdays from 8:00 a.m. to 12 noon. Banks are open from 8:00 a.m. to 3:00 p.m., Monday through Friday. Most local banks open Saturdays from 9:00 A.M. to 12:00 Noon. Government offices are open from 8:30 a.m. to 4:30 p.m., Monday through Friday.

TRAVEL ADVISORY AND VISAS

U.S. Citizens are subject to Panamanian law when visiting Panama and penalties for possession, use and trafficking in illegal drugs are severe.

In 1987, the State Department's Bureau of Consular Affairs established the Consular Affairs Bulletin Board (CABB), as a means to keep the international business community informed about security and crime problems abroad. Access to the CABB is free of charge to anyone with a computer and a modem. Callers dial 202-647-9225 from their modem. Consular Affairs and the Bureau of Diplomatic Security update the CABB daily.

The Travel Advisory Service of the Department of State provides foreign travel information and, when appropriate, warnings. Phone: (202)647-5225, Fax: (202)647-3000, [Http://travel.state.gov](http://travel.state.gov).

U.S. citizens may enter Panama with a passport or a certified copy of a U.S. birth certificate and an official picture I.D., (e.g. driver's license) and a Tourist Card purchased for \$ 5.00 from an airline serving Panama. The Tourist Card is valid for 30 days and may be extended for two more 30-day periods. The following are three types of Visas available to businesspersons wishing to spend extended periods of time in Panama:

1. Inversionista (Investor): A minimum of \$ 100,000 must be invested and \$ 600 must be deposited in advance (\$ 500 with the Ministry of Government and Justice and \$ 100 with the Ministry of Economy and Finance).
2. Visa de Visitante Temporal (Temporary Visitor's Visa): For executives or technicians working with a company in Panama for a limited time. The Visa is valid for one year and is renewable.
3. Temporal Especial (Working Permit): For professional or skilled personnel transferred from an overseas office to work in Panama temporarily. The applicant must prove his earnings will come from outside of Panama. The Visa is valid from three to six months.

Further information can be obtained from the Consular Section of the U.S. Embassy in Panama, Unit 0945, APO AA 34002, Tel: (507) 207-7332, Fax: (507) 225-1495.

HOLIDAYS

All private, government, municipal and U.S. Embassy offices are closed during local holidays, . In addition the U.S. Mission observes all U.S. holidays.

The national holidays for 2001 are:

January	1	New Year's Day
January	9	Mourning Day
March	6	Carnival
April	13	Good Friday
May	1	Labor Day
November	3	Independence Day from Colombia
November	4	Flag Day
November	10	The Uprising of Los Santos
November	28	Independence Day from Spain
December	8	Mother's Day
December	25	Christmas Day

There are a large number of Jewish owned businesses, which observe Jewish holidays.

BUSINESS INFRASTRUCTURE

Panama's official language is Spanish. However, English is widely spoken as a second language in the main cities. Panama has excellent local and international telephone services. Direct dialing is available to more than 150 countries worldwide. There are 170 radio stations and 5 television stations in Panama. Office space both permanent and temporary is readily available.

Health conditions in Panama are good, especially in the urban centers. Running water is available in almost all parts of the country and is usually potable. Use of bottled water or boiling before use is necessary only in some rural areas and small towns in the provinces.

There are several international level hotels. Facilities usually include swimming pools, tennis courts, fitness centers, clothing and souvenir shops, casinos, restaurants, coffee shops and bars. Furnished apartments are available for longer stays. A wide variety of restaurants offer international cuisine, including Chinese, Italian, Mexican, Indian, Spanish and Japanese. Several specialize in seafood. All large hotels offer American, European, and local cuisine. There are some hotel coffee shops that are open around the clock.

Transportation from the International Airport into Panama City is by a special taxi service, and the price ranges from \$ 15 per trip for small taxis to \$ 25 for large taxis. Taxis may be shared with other passengers. Car rentals are available. There is no bus service at the airport.

Buses and Taxis are readily available in urban areas. Taxi fares are low and usually range from one to five dollars depending on the trip's length.

The official currency of Panama is the Balboa (symbol B/.) which is the same as the U.S. Dollar. The Balboa exists only in coin form of the same denomination and size as U.S. coins. Both U.S. paper currency and coins are legal tender and circulate freely.

The U.S. system of weights and measures and the metric system are both used in Panama. Speed

limits are posted in kilometers per hour.

“Guides for Business Representatives” available for sale by the Superintendent of Documents, U.S. Government Printing Office, Washington, D.C. 20402; tel. (202) 512-1800; fax. (202) 512-2250. Business travelers to Panama seeking appointments with U.S. Embassy Panama officials should contact the Commercial Section in advance. The Commercial Section can be reached by tel. (507) 207-7000 or by fax at (507) 227-1713”.

X. ECONOMIC AND TRADE STATISTICS

APPENDIX A: COUNTRY DATA - PANAMA

Population:	2.85 Million
Population Growth Rate:	1.4%
Religion:	82% Roman Catholic, 10% Evangelical (complete religious freedom)
Government:	Democratic, Representative
Language:	Spanish, English widely spoken.
Work Week:	Monday – Friday, and Saturday mornings depending on business. Department Stores: Monday - Sunday

APPENDIX B: DOMESTIC ECONOMY (millions of U.S. Dollars, except as noted)

	1997	1998	1999	2000 (proj)
GDP (Current Prices)	8,657	9,143	9,608	10,049
GDP (1982 dollars)	6,657	6,933	7,157	7,344
Real GDP Growth Rate	4.5%	4.1%	3.2%	2.6%
GDP Per Capita (Current Prices)	3,198	3,308	3,420	3,513
GDP Per Capita (1982 dollars)	2,449	2,509	2,548	2,614
Central Government Spending (as a % of GDP)	26.1%	28.7%	26.9%	n/a
Inflation (CPI)(%)	1.2%	0.6%	1.5%	1.8%
Unemployment (%)	13.4%	13.6%	11.6%	n/a
Foreign Exchange Reserves(1)	1,148	1,370	1,516	1,616
Average Exchange Rate Balboas to U.S. Dollars	1.00	1.00	1.00	1.00
USAID Assistance	7.2	4.8	5.3	4.4

Sources: Ministry of Economic and Finance, Panama Comptroller Government of Panama, U.S. Embassy estimates.

(1) Corresponds to foreign assets of the National Bank of Panama

APPENDIX C: TRADE

(Millions of U.S. Dollars, except as noted)

	1997	1998	1999
Total Country Exports	648	704	707
Total Country Imports	3,006	3,417	3,515
U.S. Share of Panama Imports	36.7%	39.5%	35.3%
U.S. Share of Panama Exports	42.2%	39.9%	42.2%

Sources: Ministry of Economy and Finance, U.S. International Trade Commission, Embassy Projections.

The figures above do not include trade to/from the Colon Free Zone (CFZ). In 1999, the CFZ imported 4.04 billion and exported 4.93 billion. These figures compared to the 1998 ones represent a decrease of 21.45% on imports and a 17.27% on exports.*

These numbers have diminished of CFZ's reliance upon the Andean Region as its primary customer. As the region continues to suffer from economic and political instability, CFZ lingers in a recessionary pattern. CFZ has shown some signs of recovery in the first quarter of this year.

APPENDIX D: INVESTMENTS STATISTICS

FOREIGN DIRECT INVESTMENT IN PANAMA /1, 1995-1999
(IN US\$ MILLIONS AND AS PERCENT OF GDP)

Year	FDI	GDP	New FDI
1995	266.7	7,906	3.4%
1996	410.4	8,151	5.3%
1997	1,255.8	8,657	14.5%
1998	1,206.1	9,144	13.2%
1999	22.3	9,608	0.23%

FOREIGN INVESTMENT IN PANAMA /1, BY COUNTRY OF ORIGIN 1998

	US\$ Millions	Percent of total
United States	1,500	40%
United Kingdom	880	23%
Mexico	700	19%
Taiwan	300	8%
Others	378	10%
Total	3,758	100%

FOREIGN DIRECT INVESTMENT /2, BY SECTOR 1998

	US\$ Millions	Percent of Total
Transport, Storage	1,290	33%
Services, Communication	1,150	31%
Manufacturing	400	11%
Finance, Real Estate	400	11%
Others	518	14%
Total	3,758	100%

/1 GOP Comptroller General

/2 Embassy estimates.

The GOP has not published recent information on foreign direct investment either total stock or by country of origin. The above figures were developed in consultation with private sector economists and are the Embassy's best estimate of a dynamic investment situation .

XI. U.S. AND COUNTRY CONTACT

APPENDIX E: U.S. AND COUNTRY CONTACTS - PANAMA

U.S. EMBASSY CONTACTS

The Commercial Service
 U.S. Department of Commerce
 Tel: (507) 207-7000
 Fax: (507) 227-1713
<http://www.ita.doc.gov>

E-mail: Office.Panama@mail.doc.gov

Richard Benson, Commercial Attache;

Tel. (507) 207-7388

E-mail: Richard.Benson@mail.doc.gov

J. Enrique Tellez, Senior Trade Specialist;

Tel. (507) 207-7080

E-mail: Enrique.Tellez@mail.doc.gov

Jilma A. de Robles, Commercial Assistant;

Tel. (507) 207-7304

E-mail: Jilma.de.Robles@mail.doc.gov

Diana Lozano, Commercial Secretary;

Tel. (507) 207-7242

E-mail: Diana.Lozano@mail.doc.gov

Jeane A. de Zuniga, Commercial Clerk

Tel. (507) 207-7392

E-mail: Jeane.Zuniga@mail.doc.gov

Economic Unit, U.S. Department of State

Gene Bigler, Chief, Economic/Political Section

Tel: (507) 207-7000

Fax: (507) 227-1964

Foreign Agricultural Service,

U.S. Department of Agriculture

Hugo Salazar, Agricultural Specialist

Maria Victoria Guardia, Secretary

Tel: (507) 207-7064

Fax: (507) 225-4209

Embassy Mailing Address in the U.S.:

Unit 0945

APO AA 34002

Tel: (507) 207-7000

Fax: (507) 227-1964

WASHINGTON-BASED USG COUNTRY CONTACTS

U.S. Department of Commerce,

International Economic Policy

Matt Gaisford, Panama Desk Officer

14th & Constitution Ave.

Washington, D.C. 20230

Tel: (202) 482-4464

Fax: (202) 482-4157

U.S. Department of State
Kelly Keiderling, Desk Officer
ARA (Inter American Affairs)/CEN-PAN
2201 C St. NW
Washington, DC 20520
Tel: (202) 647-4986
Fax: (202) 647-2901

U.S. Department of the Treasury
Rachel Barrell, Desk Officer
Office of Latin America & Caribbean
1500 Pennsylvania Ave. NW
Washington, D.C. 20220
Tel: (202) 622-1266
Fax: (202) 622-1273

U.S. Department of Commerce,
Liaison Office to the Inter-American Development Bank
Rebecca Mann, IDB Liaison, Comm. Liaison
1250 H Street, NW, 10th Floor
Washington, D.C. 20005
Tel: (202) 623-3821
Fax: (202) 623-2039

U.S. Department of Commerce,
Liaison Office to the International Bank
for Reconstruction and Development
U.S. Executive Director's Office
1818 H St., NW, Room D-13004
Washington, D.C. 20433
Tel: (202) 458-0118
Fax: (202) 477-2967

U.S. Department of Commerce,
Office of Multilateral Development Banks
Janet Thomas, Director
Ronald Reagan Building
MS/MDBO
Washington, D.C. 20230
Tel: (202) 482-3399
Fax: (202) 273-0927

U.S. Department of Agriculture,
Foreign Agricultural Service

Robert K. Hoff, WH Area Officer
Room 5094
14 th and Independence Ave, SW
Washington, DC 20250
Tel: (202) 720-3221
Fax: (202) 690-5183

Overseas Private Investment Corporation
1100 New York Avenue, N.W.
Washington, DC 20527
Adrien Seaton, Finance Officer
Tel: (202) 336-8472
Fax: (202) 408-9866

Export-Import Bank of the U.S.
811 Vermont Avenue, NW
Washington, DC 20571
Veronique Cavallier, Business Development
Tel: (202) 565-3921 X3916
Fax: (202) 565-3931
[http:// www.exim.gov](http://www.exim.gov)

U.S. Trade and Development Agency
Jeremy Martin, Country Manager for Panama
1621 N. Kent St., Suite 300
Arlington, VA 2209-2131
Tel: (703) 875-4357
Fax: (703) 875-4009
E-mail: info@tda.gov

Office of U.S. Trade Representative
Associate USTR for Western Hemisphere,
Director for Caribbean Basin Affairs
Office of the U.S. Trade Representative
600 17th Street, NW
Washington, D.C. 20506
Tel: (202) 395-5190
Fax: (202) 395-3911

U.S. - BASED MULTIPLIER ORGANIZATIONS RELEVANT FOR COUNTRY

Embassy of Panama
Ambassador Guillermo “Billy” Ford
2862 McGill Terrace NW
Washington, DC 20008

Tel: (202) 483-1407
Fax: (202) 483-8413

MINISTRIES AND GOVERNMENT OWNED AGENCIES IN PANAMA

Ministerio de Comercio e Industrias,
(Ministry of Commerce and Industry)

Joaquin Jacome, Minister

P.O. Box 9658

Panama 4, Republic of Panama

Tel: (507) 360-0600

Fax: (507) 360-0663

E-mail: Uti@mici.gob.pa

Http: www.mici.gob.pa

Ministerio de Comercio e Industrias,
Direccion General de Registro de la Propiedad Industrial,
(Industrial Property Registry Administration)

Luz Celeste R. de Davis, Director General

P.O. Box 9658

Panama 4, Republic of Panama

Tel: (507) 321-0266

Fax: (507) 321-0266

Vice Ministerio de Comercio Exterior

Roberto Henriquez, Vice Minister

P.O. Box 6-1897

Panama 6, Republic of Panama

Tel: (507) 236-0550/0347

Fax: (507) 236-0495

E-mail: secomex@mici.gob.pa

Ministerio de Desarrollo Agropecuario,
(Ministry of Agricultural Development)

Ing. Luis Alejandro Posse Martins, Minister

P.O. Box 5390

Panama 5, Republic of Panama

Tel: (507) 232-5043

Fax: (507) 232-5044

Ministerio de Economia y Finanzas
(Ministry of Economics and Finance)

Ing. Victor Juliao, Minister

P.O. Box 7304

Panama 5, Republic of Panama

Tel: (507) 227-4998
Fax: (507) 227-2357
<http://www.mhyt.gob.pa/>
E-mail: mhyt@mhyt.gob.pa

Dirección Nacional de Aduanas, (Customs Service)
Mercedes de Villalaz, Director
P.O. Box 1671 Balboa, Ancon
Panama, Republic of Panama
Tel: (507) 232-5292/6014
Fax: (507) 232-6494
<http://www.mhyt.gob.pa>

Ministerio de Salud, (Ministry of Health)
Dr. Jose Teran, Minister
P.O. Box 2048
Panama 1, Republic of Panama
Tel: (507) 262-3511/3510
Fax: (507) 262-5597
[Http://www.min-salud.gob.pa](http://www.min-salud.gob.pa)

Ministerio de Obras Publicas,
(Ministry of Public Works)
Ing. Moises Castillo de Leon, Minister
P.O. Box 1632
Panama 1, Republic of Panama
Tel: (507) 232-5572
Fax: (507) 232-5776
<http://www.mop.gob.pa/>
E-mail: infomop@sinfo.net

Autoridad de la Region Interoceanica (ARI),
(Interoceanic Regional Authority)
Ing. Alfredo Arias Grimaldo, Administrator
P.O. Box 2097, Balboa
Panama, Republic of Panama
Tel: (507) 228-8044
Fax: (507) 228-8988
<http://www.ari-panama.com>
E-mail: ari@sinfo.net

Autoridad Marítima Nacional,
(National Maritime Authority)
Lic. Jerry Salazar, Administrator
P.O. Box 8062

Panama 7, Rep. of Panama
Tel: (507) 232-5553/5528
Fax: (507) 232-5527

Administracion de la Zona Libre de Colon,
(Colon Free Zone Administration)
Lic. Jorge Luis Fernandez Urriola, General Manager
P.O. Box 1118
Colon, Republic of Panama
Tel: (507) 445-5794/5114
Fax: (507) 445-2165
<http://www.zonalibre.com>
E-mail: david@zolicol.org

Direccion de Aeronautica Civil (DAC),
(National Aeronautics Authority)
Ing. Jaime Fabrega, Director
P.O. Box 7615
Panama 5, Republic of Panama
Tel: (507) 315-0210/0212
Fax: (507) 315-0214
E-mail: fabrega@pan.gbm.net

Instituto Panameno de Turismo (IPAT),
(Tourism Institute of Panama)
Liriola de Cordoba, Director
P.O. Box 4421
Panama 5, Republic of Panama
Tel: (507) 226-7414 or 226-3751
Fax: (507) 226-3483
<http://www.ipat.gob.pa>
E-mail: webmaster@ipat.gob.pa

Instituto de Acueductos y Alcantarillados Nacionales (IDAAN),
(National Water Works Company)
Lic. Carlos Sanchez Frias, Director
P.O. Box 5234
Panama 5, Republic of Panama
Tel: (507) 223-8640
Fax: (507) 264-0034

Inter-American Development Bank,
(In-country office)
John Hastings, Representative
Apartado Postal 7297

Panama 5, Rep. of Panama

Tel: (507) 263-6944

Fax: (507) 263-6183

<http://www.iadr.org>

TRADE ASSOCIATIONS

American Chamber of Commerce and Industry

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Panama, Republic of Panama

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E-mail: amcham@sinfo.net

Asociacion de Distribuidores de Automoviles de Panama (ADAP),
(Automobile Distributors Association)

Angie Ubben, Executive Director

P.O. Box 476

Panama 9A, Republic of Panama

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E-mail: analmo@sinfo.net

Asociacion de Usuarios de la Zona Libre de Colon,
(Colon Free Zone Users Association)

Galo Pinto de la Ossa, Executive Director

P.O. Box 3118, Zona Libre de Colon

Colon, Republic of Panama

Tel: (507) 441-4244

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E-mail: au@sinfo.net

Asociacion Panamena de Exportadores (APEX),
(Exporters Association)

Daniel Vega, Executive Director

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Panama 6, Republic of Panama

Tel: (507) 230-0284 or 230-0169

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E-mail: sip@sinfo.net

Camara de Comercio, Industrias y Agricultura de Panama,
(Chamber of Commerce, Industry and Agriculture of Panama)

Jose Ramon Varela, Executive Director
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Panama 1, Republic of Panama
Tel: (507) 227-1285 or 227-1445
Fax: (507) 227-4186 or 225-3653
<http://www.panacamara.com>
E-mail: cciap@panama.phoenix.net

Camara Panamena de la Construccion (CAPAC),
(Construction Chamber)
Eduardo Rodriguez, Executive Director
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E-mail: capac@pty.com

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(Industrialists Association of Panama)
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COUNTRY COMMERCIAL BANKS

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(Banking Superintendency)
Lic. Delia Cardenas, Superintendent
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Panama, Rep. of Panama
Tel. (507) 206-7800
Fax. (507) 264-9467
E-mail: superintendencia@superbancos.gob.pa
Http: www.superbancos.gob.pa

Asociacion Bancaria de Panama,
(Banking Association of Panama)
Mario de Diego, Executive Vice President
P.O. Box 4554
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E-mail: abp@orbi.net

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L.J. Montague Belanger, General Manager
P.O. Box 6-3823, El Dorado
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Tel: (507) 270-0015
Fax: (507) 270-0861
[Http://www.banistmo.com](http://www.banistmo.com)
E-mail: www@banistmo.com

Banco General
Raul Aleman, General Manager
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Panama 5, Republic of Panama
Tel: (507) 265-0303
Fax: (507) 265-0206
<http://www.banco-general.com>

Banco Comercial de Panama
Emmanuel Gonzalez Revilla, General Manager
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Fax: (507) 263-8033

Banco Nacional de Panama
Eduardo C. Urriola, General Manager
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Panama 5, Republic of Panama
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Fax: (507) 264-7155

The Chase Manhattan Bank, N.A.
Olegario Barrelier, General Manager
P.O. Box 9A-76
Panama 9A, Republic of Panama
Tel: (507) 263-5855 or 263-5877
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Citibank, N.A.
Francisco Conto, General Manager
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Fax: (507) 236-1025

The First National Bank of Boston
Luis Navarro, General Manager
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Panama 5, Republic of Panama
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Fax: (507) 223-4089

COUNTRY MARKET RESEARCH FIRMS

Ditcher & Neira - Marketing Consultant
Leopoldo Neira, Director General
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Fax: (507) 223-1174
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Jaime Porcell & Asociados
Jaime A. Porcell, President
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Panama 5, Rep. of Panama
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Grupo Ariston
Maria Nela Galvez, General Manager
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Panama 9A, Republic of Panama
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E-mail: mthalass@pan.gbm.net

XII. MARKET RESEARCH AND TRADE EVENTS

APPENDIX F: MARKET RESEARCH: PANAMA

Non-Agricultural Market Research

FY-2000

Industry Sector Analyses (ISA)

Health Care Services

Television Cable Industries
 Telecommunications equipment
 Water and Wastewater Treatment Equipment
 Computer Software

International Market Insight (IMI)

Tocumen International Airport
 Import Duty increases for Certain Products
 New Structure of the Electric Sector
 Trade Shows in Panama
 Business Organizations in Panama
 Procurement Regulations for the Panama Canal Authority
 Bid for TV Frequencies
 Panama Services Sector
 Contacts for the Electric Sector

Agricultural Market Research: None

NOTE: A complete list of market research reports is available from the National Trade Data Bank (NTDB).

APPENDIX G: TRADE EVENTS SCHEDULE – PANAMA

OFICINA 2000 (Computer and Office Equipment Show)
 Manufacturers, distributors, agents of computer, office and telecommunications equipment. Also, office equipment accessories and supplies, office furniture, computer magazines, computer software, video games, etc
 September 28-October 1, 2000, Panama City, Panama
 Adeofi Panama
 P.O. Box 1924
 Panama 9A, Republic of Panama
 Phone: 507-226-9518
 Fax: 507-226-3863
 E-mail: Oficina@sinfo.net
 Web site: www.sinfo.net/oficina
 Contacts: Franklin Martinez, Executive Director

MEDTRADE 2000

U.S. Commercial Service, International Buyer Program. The Commercial Service in Panama will recruit a delegation of Panamanian businesspersons to travel to this event. U.S. companies interested in meeting members of the delegation may contact the International Visitors Center at the show for appointments. Industry: Healthcare Products and Services
 October 3-6, 2000, Orlando Florida

Kelly Ireland, Marketing Manager
 Bill Communications-Atlanta
 1115 Northmeadow Pkwy.
 Roswel, GA 30076
 Tel. (770) 569-1540
 Web: <http://www.medtrade.com/>

PANAMA MOTOR SHOW 2000

Sponsored by the Panamanian Automobile Distributors Association (ADAP). A bi-annual vertical exhibition. Industry: New cars, trucks, parts, accessories, leasing and finance.
 October 12-22, 2000

Asociación de Distribuidores de Automóviles de Panama (ADAP)
 (Panama Automobile Distributors Association)

President: Michael J. Maduro
 Executive Director: Angela Ubben
 P.O. Box: 476, Zona 9A
 Tel.: (507) 321-0215
 Fax.: (507) 321-0214
 E-mail: Adap@sinfo.net

AUTOMOTIVE AFTERMARKET WEEK 2000

U.S. Commercial Service, International Buyer Program. The Commercial Service in Panama will recruit a delegation of Panamanian businesspersons to travel to this event. U.S. companies interested in meeting members of the delegation may contact the International Visitors Center at the show for appointments. Industry: Automotive parts and service equipment.
 October 31 - November 3, 2000, Las Vegas, Nevada

William T Glasgow, Inc.
 16066 South Park Avenue
 South Holland, IL 60473-1500
 Tel. (708) 333-9292
 Fax. (708) 333-4086
 E-mail: Judynovakl@aol.com
 Contact: Judy Novak, Vice President

COMDEX FALL 2000

U.S. Commercial Service, International Buyer Program. The Commercial Service in Panama will recruit a delegation of Panamanian businesspersons to travel to this event. U.S. companies interested in meeting members of the delegation may contact the International Visitors Center at the show for appointments. Industry: Computers/Peripherals.
 November 13-17, 2000, Las Vegas, Nevada

ZD Events, Inc.
 300 First Avenue
 Needham, MA 02194
 Tel. (781) 433-1823
 Fax. (781) 7722

E-mail: SonnySaslaw@zd.com
Contact: Sonny Saslaw, Director

MAGIC 2001

U.S. Commercial Service, International Buyer Program. The Commercial Service in Panama will recruit a delegation of Panamanian businesspersons to travel to this event. U.S. companies interested in meeting members of the delegation may contact the International Visitors Center at the show for appointments. Industry: Apparel

February 13-16, 2001, Las Vegas, NV

Magic International

6200 Canoga Ave.

Suite 303

Woodland Hills, CA 91367

Tel. (818) 593-5000

Fax. (818)593-5020

E-mail: Magiconline.com

Contact: Joseph Loggia, Pres. CEO

EXPOCOMER 2001 (Multisector Show)

This is Panama's premiere international trade shows. Expocomer is a horizontal trade show covering a number of sectors such as consumer goods, toys, food and beverage, clothing, hardware products, interior decoration, computers, telecommunications, sporting goods, services, medical products, etc.

March 7-12, 2001, Panama City, Panama

Organizer: Camara de Comercio, Industrias y Agricultura de Panama (Panamanian Chamber of Commerce, Industry and Agriculture of Panama), Expocomer

P.O. Box 74

Panama 1, Republic of Panama

Phone: 507-227-0033 or 507-227-0034

Fax: 507-227-0115

E-mail: expo@expocomer.com

Web site: www.expocomer.com

Contacts: Roberto Appleby, Executive Director

EXPOALIMENTOS 2001 (Food Show)

Manufacturers, Distributors, agents of food and beverage. Food processing equipment, accessories, restaurant equipment, restaurant decoration, kitchen equipment, etc.

July, 2001, Panama City, Panama

Organizer: Camara de Comercio, Industrias y Agricultura de Panama (Panamanian Chamber of Commerce, Industry and Agriculture of Panama), Expoalimentos

P.O. Box 74

Panama 1, Republic of Panama

Phone: 507-227-0033 or 507-227-0034

Fax: 507-227-0115

E-mail: expo@expocomer.com

Web site: www.expocomer.com

Contacts: Roberto Appleby, Executive Director

INTL. HARDWARE WEEK & NATIONAL HARDWARE SHOW 2001

U.S. Commercial Service, International Buyer Program. The Commercial Service in Panama will recruit a delegation of Panamanian businesspersons to travel to this event. U.S. companies interested in meeting members of the delegation may contact the International Visitors Center at the show for appointments. Industry: Tools – Hand and Power.

August 12-15, 2001, Chicago, Illinois

American Hardware Manufacturers Association

801 North Plaza Drive

Schaumburg, IL 60173-4977

Tel. (847) 605-1025

Fax. (847) 605-1093

E-mail: AHMA@ahma.org

Contact: Timothy Farrell

PCIA GLOBAL XCHANGE 2001

U.S. Commercial Service, International Buyer Program. The Commercial Service in Panama will recruit a delegation of Panamanian businesspersons to travel to this event. U.S. companies interested in meeting members of the delegation may contact the International Visitors Center at the show for appointments. Industry: Wireless Communications

September 11-14, 2001, Las Vegas, Nevada

PCIA

500 Montgomery Street, Suite 700

Alexandria, VA 22314-1561

Tel. (703) 739-0300

Fax. (703) 836-1608

Web: www.pciaglobalexchange.com

EXPOMEDICA 2001 (Medical Show)

Manufacturers, Distributors, agents of medical equipment, supplies, pharmaceutical products, veterinary products, interior decoration, hospital and health services. There are medical seminars and conferences during the show.

October 4-7, 2001, Panama City, Panama

Camara de Comercio, Industrias y Agricultura de Panama (Panamanian Chamber of Commerce, Industry and Agriculture of Panama), Expocomer

P.O. Box 74

Panama 1, Republic of Panama

Phone: 507-227-0033 or 507-227-0034

Fax: 507-227-0115

E-mail: expomed@expocomer.com

Web site: www.expocomer.com/expomedica

Contacts: Roberto Appleby, Executive Director